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# **East Europe**

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# East Europe

JPRS-EER-88-028

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## BULGARIA

**Changes in Electoral System Discussed**  
22000017 Sofia *POLITICHESKA PROSVETA*  
in Bulgarian Jan 88 pp 29-36

[Article by Professor Zhivko Milanov]

[Text] The course of qualitatively new growth and renovation in all areas of social life, earmarked by the 13th Party Congress, is inseparably related to the further firm development of democracy in our society and the development and advancement of democratic principles and institutions. The elections for central and local state authorities are a superior manifestation of socialist democracy and the socialist activeness of the people. This is especially pertinent now, after the July 1987 BCP Central Committee Plenum called for "creating overall conditions for the functioning and development of our socialist society as a self-governing system," and when the trust expressed in the people's regime at the elections should bear to a much greater extent the mark of confidence in our own strength and contribution in solving national problems.

As we know, by ukase of the State Council of the Bulgarian People's Republic, elections for oblast and municipal people's councils, mayors and people's councilors of mayoralties have been set for 28 February 1988. This is an occasion for drawing the public's attention to some important problems of our electoral system and to the amendments in the electoral law made at the National Assembly session of 9 and 10 December 1987.

The electoral system plays an important role in the functioning of our country's political system. Its purpose is to ensure, on the basis of socialist democracy, the election of representative authorities directly by the working people. The social significance of the elections is determined by the circumstance that it is through them that the state system for the exercise of political power is established. This is directly related to the nature of the social system and affects the foundations of society and the interests of all citizens.

The electoral system reflects the social and economic development of society, the correlation among political forces, political traditions, and the level reached in the general and political standards of the population. Changes in these factors trigger changes in the individual elements of the electoral system.

The electoral system includes the principles of the right to vote, the procedure for holding the elections, and relations between the electorate and the deputies, including the right to a recall and the mechanism for its application. The principles of universal, equal and direct balloting and secret vote are the foundations of our electoral system and determine its profoundly democratic nature. The electoral procedure, which is more frequently an object of improvement, is the more

dynamic part of the electoral system. It is in this area that the National Assembly introduced amendments in the 10 December 1987 Electoral Law.

Elections are a complex sociopolitical phenomenon. They contain legal, political, organizational and other interrelated elements. Changes in one of the elements entail changes in the rest. This must be born in mind in the new situation as well, which is being created in our country following the amendments introduced in the Electoral Law. The new procedure for the selection of candidates, voting, etc., is not an ordinary change in the text of the law passed by the National Assembly. It includes substantial changes in political work with the electorate and demands the assertion of a new social climate in the individual settlements and labor collectives, a new style of political thinking and new political traditions.

The term electoral campaign has been adopted to describe the overall process of preparations for and holding of elections. It constitutes a political balance of the activities of representatives and of all state authorities, for which reason it takes place in a state of enhanced social activeness. The electoral campaign is also a serious test of the ties between the party and the population and an assessment of the work of the social organizations. In the course of preparations for the elections, the needs of the population and the tasks involved in their satisfaction, and the successes and weaknesses of state and economic authorities and public organizations are revealed with particular clarity.

Consequently, the organization and holding of elections could not be considered an ordinary organizational-political step, the main purpose of which would be to elect people's councilors for oblast and municipal people's councils, mayors and mayoral advisors. The elections are a complex political event with administrative and political aspects. They inevitably bring up to the surface ideological, social, psychological and many other problems and group and interpersonal relations. Therefore, preparations for the elections should be considered in a responsible fashion, involving the active participation of party, social and state authorities and organizations, in accordance with the requirements of the Electoral Law.

Drawing attention to such basic requirements of the electoral campaign today is made necessary by several important circumstances. First, in the past few years a great deal of formalism was instilled in the elections, which led to an indifference toward the electoral process by a segment of the citizenry. This adverse phenomenon must be eliminated through active political work. Political indifference is incompatible with the ideas of self-government and the task of converting the municipalities into self-governing population communities.

Second, the elections are held on the basis of the administrative-territorial reorganization in our country. We shall be electing municipal and oblast people's councils, as well as mayors and people's councilors for the mayoralties. A significant percentage of the municipalities will have new boundaries. A number of municipalities were abolished by ukase of the NRB State Council, dated 9 October 1987, and the settlements of which they consisted were transferred to other municipalities. Consequently, new territorial units were set up with all the difficulties and problems typical of such social phenomena—organizational, cadre, psychological, etc.

Rayon people's councils were abolished throughout the country. They were replaced by municipalities in Sofia, which are quite different from the previous rayon structures. As a rule, they encompass historically distinct territories in Sofia and the settlements included within it, in which, although a traditional harmony of social commonalty had existed, the traditions of a territorial state organization were absent. Municipalities, such as Sredets, Krasna Polyana and others had never had their independent local state authority.

In the other large cities in the country, such as Plovdiv, Varna and Burgas, the old rayon people's councils were reorganized into mayoralties, as authorities of municipal people's councils and people's self-government, proving their advantages as primary units within the system of local authorities in our country.

Mayoralties were set up in some other cities in the country as well, in which no internal administrative-territorial division had existed in the past, such as Sliven, Pleven, Ruse and Stara Zagora. In speaking of mayoralties in large cities, we must bear in mind that these are not the classical mayoralties which have been organized in some municipalities. Essentially, these are new structures in the mechanism of social self-government. Their specific feature is that they are set up in some areas of municipal territory and not in separate settlements. Furthermore, the territories of city mayoralties include as many as 20,000 to 30,000 people, which makes necessary the adoption of new approaches and forms of ties with the population and a new mechanism for the establishment and functioning of the mayoralty.

In turn, the oblast is an entirely new administrative-territorial unit. That is why here as well a new approach must be adopted in the organization of the elections. The previous experience in holding elections for okrug people's councils is inapplicable.

Third, the new municipal and oblast people's councils, as well as the mayoralties within the municipalities will be elected in accordance with the principles of people's self-government. This triggers important requirements concerning the organization of the elections and the creation of the most favorable conditions for the participation of all voters in nominating and discussing the candidacies, as well as in determining the needs of the

population and formulating voter instructions. Hence the need for establishing lasting and active ties between the people's councilors and the electorate for the duration of their mandate, and the active involvement of all working people in drafting and adopting management decisions and, subsequently, their execution.

Fourth, the election for people's councils, mayors and people's mayoralty councilors will be based on the updated legal system. At the last National Assembly session, which was held on 9 and 10 December 1987, some amendments were introduced in the Electoral Law, which bring about essentially new aspects in the organization of the elections and the electoral campaign as a whole.

In accordance with the principles of self-government, the National Assembly strengthened the rights and responsibilities of people's councils and mayoralties in the organization of the elections. Thus, the electoral lists for the forthcoming elections will be drawn up not only by the municipal people's councils, as was the case so far, but also the mayoralties which keep population records. The lists will be based on ESGRAON data. However, in places where the data are incomplete or updated, other available documents will be used, including on-site inspections. The Fatherland Front organizations have been traditionally of great assistance in the implementation of this task. The electoral lists, drawn up by municipal employees, must be signed by the chairman and secretary of the executive committee of the municipal people's council, and those drawn up at the mayoralties, by the mayor and the mayoralty secretary.

The electoral lists are the basic documents for holding the elections. It is on their basis that the citizens exercise their right to vote and participate in setting up the state agencies. The electoral lists are the base on which the regularity of the election and the elected candidate will be determined. That is why the drawing up of electoral lists requires a great deal of attention, accuracy and conscientiousness. For that reason all activities related to drawing up the lists by the municipalities and mayoralties must take place under the guidance and control of the executive committee of the municipal people's council.

The amendment introduced in the Electoral Law provides a new solution to the question of determining the number of electoral districts for people's councilors in oblasts and municipalities. So far in the case of the municipalities, it was determined by the executive committee of the respective okrug people's council and, for the okrugs, by the State Council of the Bulgarian People's Republic. Today such problems are solved by the people's councils themselves: in the oblasts, by the executive committee of the oblast people's council; in the municipalities and mayoralties, by the executive committee of the municipal people's council. This increases the responsibility of the executive committees

for the organization of the elections, eliminates unnecessary bureaucratic procedures and allows a more accurate consideration of local characteristics. However, this requires increased methodical aid and control on the part of the superior state authorities.

At this point we must bear in mind that in accordance with the amendment of the Electoral Law the number of people's councilors in the mayoralties has been increased: from 5 to 9 for mayoralties with a population of 10,000 or less, and from 7 to 15 for settlements with a population in excess of 10,000.

Also noteworthy is the circumstance that commissions are being elected on three levels in holding elections for local state authorities and people's self-government: the oblast, for the election of people's councilors for the oblast people's council; municipal, for the election of people's council for the municipal people's council; and mayoral, for the election of a mayor and people's councilors of the mayoralty. Another stipulation is to include representatives of labor collectives in the commissions, in addition to representatives of party and public organizations and movements.

The range of entities with the right to nominate and register candidates for people's representatives and people's councilors has been broadened. So far this right had been granted to political and other social organizations and to one fifth of the voters in the respective electoral district.

Today, candidates for people's representatives and people's councilors and mayors may be nominated by political and other public organizations, labor collectives and a certain number of voters. What is new in this area?

The range of entities with the right to nominate candidates has been broadened. In addition to political and other social organizations, today this right has been extended to labor collectives as well. This is an exceptionally important feature, for it offers the opportunity for an even more active involvement of the working class and the other working people in the electoral campaign. Furthermore, the right of voters directly to nominate candidates for people's representatives, people's councilors and mayors has been made quite specific. Practical experience has indicated that the previous system, according to which this right could be exercised by 20 percent of the electorate in the corresponding electoral district was unviable. According to the new draft of the Electoral Law (article 45, paragraph 2) the right of voters to nominate candidates is stipulated as follows: no less than 500 people, for a people's representative, no less than 100 people for people's councilor, and no less than 30 people for mayor and people's councilor in a mayoralty.

Therefore, various forms of social organization, from political parties and mass public organizations to any temporary group of voters supporting a specific candidacy, are being institutionalized as subjects of initiative in the selection of candidates for people's representatives, people's councilors and mayors.

An important stipulation of our Electoral Law is the public discussion of the candidacies. This stipulation existed in the past as well. The new feature is that now it will also be applied in the case of candidates nominated by labor collectives or groups of voters. This requirement is profoundly democratic in its nature. The purpose of discussing the candidates is, on the one hand, to provide advance information to the voters concerning the quality of the individuals who are being nominated; on the other, to indicate to the initiators the manner in which their nominees are being accepted by the public. This is a process of comparing candidates and determining their qualities before they have been registered with the respective electoral commissions. As a result of such discussions the voters can express their preferences for one candidate or another. In some cases the public organization or labor collective may refuse to register a candidate, should it become clear that he has no support among the electorate.

The final stage in the process of the choice of candidate for people's representative, people's councilor and mayor is the registration of the candidate with the corresponding district electoral commission. To this purpose, the managements of party and other social organizations, labor collectives or voters submit the candidates for registration they have nominated to the district and, respectively, mayoral electoral commission no less than 30 days prior to the elections.

The new feature in the Electoral Law is the fact that party and other public organizations, labor collectives and voters can indicate, discuss and register an unlimited number of general candidates. This, however, is a possibility but not a mandatory stipulation of the law. A social organization, labor collective or group of voters may nominate candidates even after the discussion has been held at a voters' meeting and register their candidate (or candidates) in addition to the general candidates submitted by the other public organizations, labor collectives and voters.

In the past, however, the Electoral Law proceeded from the principle that in an electoral district it was possible to nominate and register an unlimited number of candidates for people's representatives or as people's councilors. At the same time, however, it gave the right to party and other public organizations and voters to nominate general candidates for people's representatives or people's councilors, nominated and registered in the name of the Fatherland Front. In that case only one candidate could be registered. Although this was an exception to the rule, it also entirely blocked its function. In this case the decisive role was played by the circumstance that the

entire electoral practice in our country was based on a single list. Historically, this decision was justified. The united list of the Fatherland Front was an important means of rallying all progressive forces in the struggle against opposition parties. The registration of a single Fatherland Front candidate prevented the splitting of the vote and thus to benefit forces hostile to the people.

These factors gradually lost their significance with the strengthening of the people's system and the building of a socialist society. Radical changes took place in the social class structure. The development of social unity within society began on the basis of the common interests shared by the working class, the agricultural workers and the intelligentsia. Politically, this was manifested in the unification of the working people rallying around the line of the BCP, in support of the people's system and in the assertion of the socialist principles and socialist way of life. Under these circumstances, the practice of the party and the social organizations to nominate general candidates gained a new meaning and new content. It began to play the role of a social mechanism expressing the unity of political forces within society and, at the same time, to regulate their relations within the organization and the elections and in their interrelationship with the state authorities.

As a political tradition, the nomination and registration of general candidates of political and public organizations plays a role under conditions of self-government as well. However, it is necessary to eliminate some weak spots which appear in its implementation. The registration of a single candidacy in practice predetermines electoral results, for the electoral campaign becomes concentrated on the attitude of the voters toward the political platform of the Fatherland Front. That is why a significant percentage of the voters voted their confidence in the policy of the BCP and the Fatherland Front and it was on the basis of this confidence that the suggested candidate was elected. It was believed that the party and the social organizations had accurately assessed the qualities of the candidate and his possibility to work for the implementation of the political platform. Reality proved, however, that the previous legal system and its practical application had already exhausted their possibilities and were obstructing the development of socialist democracy. The political and social organizations introduced some additional formal requirements concerning candidates for deputies, from the viewpoint of social representation, party affiliation, age and so on, which led to the nomination of candidates who had no connections with the voters in the respective electoral district and were unfamiliar with their needs and interests. There were cases of nominating people who lacked practical qualities and a sense of politics. This adversely affected the representative system of the state and weakened the ties between the electorate and its political representatives.

A significant percentage of the voters developed an indifference toward the elections.

Under the conditions of self-government for a citizen to vote exclusively on the party's policy is not enough. The citizen made his political choice long ago. Now conditions must be created for real participation in the selection of the people who will implement this policy, in the assessment of their qualities and determining the trends of their activities within the representative authority. This, specifically, is the main purpose of the revised article 46 of the Electoral Law.

Our Electoral Law does not require the mandatory registration of more than one candidate, a practice which exists in some other socialist countries (Hungary, Poland). It is a question of cadre possibilities, the quality of the candidates and the sociopolitical climate prevailing in a given settlement, district or labor collective. Objectively, some small villages will have no opportunity to nominate and register two or more candidates for councilors for the municipal people's council, mayor or people's councilor for the mayoralty. Elsewhere, in places where an unconditionally supported candidate respected by everyone, who enjoys the support of the population is nominated, it would be hardly expedient, for official considerations alone, to register more than one candidate. Naturally, there are no obstruction to this process. However, we must also take into consideration other aspects of the problem, such as the uncomfortable position of a second or more candidates who could receive a few votes only.

The registration of several candidates in an electoral district has some important sociopolitical aspects which must be taken into consideration by political and social organizations. In the selection of general candidates we must seek a certain commensurability of their qualities so that the voters could be properly guided. Such commensurate aspects are age, practical experience, party affiliation, sex, official position, etc. There is no commensurability if we pit, for example, a young woman worker engaged in material production against an intellectual man of the arts, a nonparty member against a noted active fighter against fascism, and so on. This is important also with a view to protecting the self-respect of the candidates and to avoid the creation of unnecessary tension in interpersonal and social relations within the electoral district. No ideal system exists in this case. However, this is a political process which also requires a corresponding accurate political guidance. The new ideas included in the Electoral Law must be implemented in the organization of the forthcoming elections.

The establishment of a legal mechanism for the actual nomination and registration of more than one candidate in an electoral district also brought about corresponding changes in the voting procedure. The now deleted article 54 of the Electoral Law required that the names of all registered candidates for people's representatives and people's councilors mandatorily be included in the ballots for the respective electoral district. All the voter had to do was leave the name of candidate he preferred and

scratch out other candidates (if such existed). This stipulation of the law was not practical, for traditionally political and other social organizations went to the elections with a general list and registered a single candidate only. This created in the voters the impression that they were casting a ballot in which, to begin with, only one name could be included.

The latest amendment to the Electoral Law introduced a different principle which is consistent with the now created possibility of registering several candidates per electoral district. The new draft of article 54 of the Electoral Law calls for the names of all registered candidates for people's representatives and people's councilors for oblasts and municipal people's councils, mayors and people's councilors of mayoralties to be mandatorily entered in separate electoral ballots for each candidate for the respective electoral district or mayoralty. This new solution facilitates the task of the voter, for he is not required to scratch out the candidate for whom he does not vote. This also eliminates the inconvenience of scratching out in the voting booth and the need to have a pencil, a ball pen, etc. The voter simply picks up the ballot carrying the name of the candidate for whom he wishes to vote, puts it in an envelope, seals it and drops it in the ballot box.

The new procedure for the ballots and voting creates conditions leading to a different type of difficulty. To begin with, it must be remembered that usually in such elections the people are voting for several authorities—the National Assembly, the oblast people's council, the municipal people's council and, in a number of settlements, for mayor and people's councilors for the mayoralty. The ballots for each such authority will be a different color. Furthermore, it is possible to have two or more candidates per position. This will hinder not only the printing of the ballots and supplying the section electoral committees with such ballots but also will make it difficult for some voters to find their way in such a large number of colors and names. This raises important problems concerning the political and public organizations which must engage in serious and profound explanatory work concerning the organization and technique of the balloting.

The new draft of the Electoral Law introduced some substantial changes in the system for distributing the ballots, which offers the opportunity of eliminating such difficulties. The voter will not receive a ballot and an envelope supplied by the section electoral commission. He may obtain ballots in two different ways. First, the section electoral commission must put in the voting booths, at the disposal of the voters, an adequate number of ballots and envelopes. Therefore, having been checked off the electoral list, the voter can enter the voting booth, select the ballots of the candidates he prefers and puts them in the electoral envelope and thus vote. However, the law offers another choice as well. Ballots can be issued in advance to the electorate by representatives of political and social organizations or labor collectives

which have nominated candidates. This will enable the voters to establish their preferences in advance and to prepare their own ballots, which will make the voting procedure significantly easier.

It is of great importance to explain to the voters that if an electoral envelope contains two or more ballots of the same color they become invalidated. The voter must make his choice. Naturally, the choice could also be negative, i.e., the voter may choose not to vote for a single candidate.

The candidate who has obtained the largest number of votes, but more than one half, will be considered elected. This will not include invalid ballots. The candidate who has garnered the majority will be issued a certificate by the district electoral commission. It is as of that moment that the mandate of the people's representative, people's councilor or mayor begins to run.

The amendments to the Electoral Law create prerequisites for the more extensive development of socialist democracy. The experience which will be gained will be of exceptional value in the further improvement of the system of people's self-government in our country.

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## **Bulgaria Adopts New Economic Code**

### **Provisions of New Code Published**

22000011 *Sofia DURZHAVEN VESTNIK in Bulgarian*  
24 Dec 87 pp 2-11

[Text]

### **Council of Ministers**

**Regulation on Economic Activities (Adopted in Accordance with Council of Ministers Letter No 64 of 18 December 1987)**

### **Chapter 1**

### **General Stipulations**

Article 1. (1) The present regulation establishes the basic rights, obligations and responsibilities of enterprises, trusts, associations and other self-governing economical organizations, municipal and oblast people's councils, mayoralties and other state authorities in the implementation of economic activities, as well as the basic regulations governing such activities.

(2) The regulation and the legal acts adopted on its basis will be applied by all self-governing organizations—industrial, commercial, agricultural, transport, cooperative, etc.—engaged in economic activities.

Article 2. Economic activities will be based on all forms of socialist ownership and will be provided with equal economic conditions.



## Chapter 2

### Self-Governing Economic Organizations

Article 3. In the sense of this regulation, self-governing economic organizations will include enterprises, trusts, agricultural brigades, agroindustrial complexes, associations, cooperative organizations, economic associations, and others entities engaged in economic activities, as defined by the Council of Ministers.

Article 4. The enterprise is a technologically, economically, organizationally, and socially separate self-governing economic organization-commodity producer, through which the labor collective manages and directs socialist ownership projects assigned to it. It works on the basis of cost accounting, ensures its self-support and self-financing, including foreign exchange, and is a juridical person.

Article 5. (1) The enterprise may carry out all types of activities with the exception of those which are expressly forbidden by law.

(2) The enterprise must expand its production capacity in accordance with the needs of the national economy.

Article 6. In addition to prohibitions stipulated in the laws, the enterprise does not have the right:

1. To refuse to conclude contracts to meet the needs of consumers for goods and services of various types and quality within its stipulated object of activities and within the limits of its production capacity;
2. To manufacture, purchase, sell and import goods inconsistent with standardization documents and not supported by spare parts and services;
3. To sell land, timber, ground resources and water areas assigned to it;
4. To spend assets from production purpose funds for consumer purposes or transfer assets from production funds to consumer funds;
5. To pay wages without established internal standards and rates and regulations governing the organization of labor and wages or in violation of the same;
6. To agree with other enterprises on limiting competitiveness and to abuse its monopoly status to the detriment of consumers;
7. To engage in economic activities which harm the environment.

Article 7. (1) The self-governing of enterprises will be provided by the authorities of its labor collective: the General Assembly (the Assembly of Representatives), the economic council, the control council, and the manager.

(2) The authorities as per the preceding paragraph will be set up and carry out their activities in accordance with the Labor Code and the present regulation.

(3) The control council will be elected and will report to the General Assembly which will draft regulations governing its work.

(4) The members of the economic and control councils and the enterprise manager will be elected by secret vote.

Article 8. (1) The General Assembly (Assembly of Representatives) will elect the enterprise manager for a 5-year term.

(2) Anyone has the right to apply for the position of enterprise manager. The right to name candidates will be granted also by any worker, primarily labor collective or management of public organizations in the enterprise, as well as the collective authority of the organization of which the enterprise is a part.

(3) Only individuals who have been rated by the competition commission may have the right to participate in the elections for enterprise manager.

(4) In order for a candidate to be elected, he must have no less than one-half of the vote of the attending members of the General Assembly (Assembly of Representatives). If no candidate has obtained the necessary number of votes, new elections are held at which the candidate with most votes will be considered elected. The new vote may take place during the same session or within the 7 following days.

(5) The elected manager will be appointed by:

1. The minister of economy and planning, for enterprises stipulated by the Council of Ministers;
  2. The chairman of the executive committee of the corresponding municipal people's council, for enterprises set up by the executive committee;
  3. The chairman of the respective association, for all other enterprises.
- (6) If the elected individual is not appointed by the authority as per the preceding paragraph, new elections must be held for appointing one of the other candidates, within a period of 7 days.

(7) If a manager is released ahead of his term, the procedure stipulated for his appointment will be observed. In the case of violations of the law, the authority which has appointed the enterprise manager may relieve him on its own initiative.

(8) The enterprise manager must:

1. Organize and guide the activities of the enterprise, the labor collective and the economic council;

2. Organize the implementation of the plan of the enterprise, state orders and economic contracts;

3. Ensure efficient management and protection of socialist property;

4. Ensure the implementation of the resolutions of the General Assembly and the economic council;

5. Conclude labor contracts, amend and terminate labor relations, reward workers and punish them disciplinarily in accordance with the Labor Code;

6. Represent the enterprise.

(9) In the course of the exercise of his functions, the manager will ensure the protection of the interests of the state.

(10) The orders of the manager in the course of the implementation of his functions are mandatory to the labor collective.

(11) In the case of disagreement between the enterprise managers and the General Assembly or economic council on the legitimacy of their decisions, the matter will be immediately submitted by each interested party to the competent authorities for resolution within 14 days. Until a decision has been reached, the manager will act as he sees fit.

Article 9. (1) The administrative apparatus of the enterprise will serve its self-governing authorities and will be responsible for the implementation of their decisions.

(2) The maintenance, including wages of the administrative apparatus of the enterprise, will be defined by the General Assembly (Assembly of Representatives).

(3) If the amount of wage funds for the administrative apparatus exceeds the rate approved by the minister of economy and planning, the quintupled excess enterprise wage fund will be paid to the state budget.

Article 10. (1) The enterprise's property will consist of the right to manage and administer fixed and working capital, accounts receivable, right of trademarks, industrial prototypes, licenses, share participation in associations and other rights and obligations.

(2) The enterprise will not be liable for the obligations of the state and of other enterprises; the state and other enterprises will not be liable for the enterprise's obligations other than in cases stipulated by the law.

Article 11. Enterprises and other self-governing organizations and the municipal people's councils may issue bonds and other valuable papers and pay dividends on them in accordance with a procedure stipulated by the Council of Ministers.

Article 12. (1) The enterprise will be formed, reorganized, and terminated by:

1. The minister of economy and planning, if set up on the basis of state-owned property;

2. The executive committee of the municipal people's council, if set up with municipal property.

(2) The view of the executive committees of the corresponding municipal people's councils will be sought before setting up an enterprise as per Item 1 of the preceding paragraph.

(3) The legal document on setting up the enterprise will stipulate the name, object of activities and seat, and assign property or the means through which property will be obtained.

(4) The enterprise will be considered established as of the day of publication of the act in DURZHAVEN VESTNIK unless otherwise stipulated in the act.

(5) The enterprise will be terminated with the transfer of its activities to other enterprises or the halting of its activities and its liquidation.

(6) The reorganization and closing down of an enterprise will take place after the opinion of the labor collective has been given and the procedure for retraining and reassigning its members has been established.

Article 13. (1) An enterprise which is unable to meet its obligations to the state, the banks, and other creditors or its payroll must take the steps stipulated by the state authorities and the servicing banks, aimed at improving its economic condition.

(2) Should the economic condition of the enterprise fail to improve on the basis of the steps stipulated in the preceding paragraph, the chairman of the central administration of the servicing bank will declare the enterprise insolvent and the authority which has set it up may provide it with financial aid, reorganize it or close it down through the liquidation of its assets.

Article 14. (1) By decision of the economic council of the enterprise branches may be set up, such as plants, factories, shops, brigades, sections, departments, services, and so on, as well as program collectives. These units

will operate on the basis of self-government within the framework of their assignments and granted rights and resources. They will apply internal cost accounting and will independently solve problems of the internal organization of their activities.

(2) By decision of the economic council, the enterprise may assign to its branches some of its own rights with the exception of its relations with the state budget.

Article 15. (1) Enterprises may join a trust, granting it on the basis of a contract, part of their functions. They retain their legal and economic autonomy in accordance with this regulation and other laws.

(2) A trust will engage in:

1. Marketing, scientific and technical, investment and social policy;
2. Planning;
3. Coordination of production-economic and social activities.

Article 16. (1) The economic council and the chairman will be the authorities of the trust.

(2) The economic council consists of a chairman, who is also the chairman of the trust, managers of enterprises and the chairman of the trade union council of the trust as well as the representative of the corresponding branch, acting in an advisory capacity.

(3) The decisions of the economic council of the trust, in connection with implementation of its functions, will be mandatory to all enterprises participating in the trust.

(4) The chairman will be elected by the economic council by secret balloting, on the basis of a competition under the conditions of and the procedure stipulated in Article 8 and will be appointed by the chairman of the Council of Ministers.

(5) The chairman will:

1. Organize and be responsible for the implementation of the tasks based on the unified policy of the economic trust, mandatorily combining the interests of the enterprise with those of the state;
2. Be responsible to the labor collectives of the enterprises and the economic council of the trust for the implementation of its decisions;
3. Represent the economic trust.

(6) In the case of disagreement between the manager and the economic council of the trust the decisions of the economic council will prevail.

(7) The administrative apparatus of the trust will serve the economic council and ensure the implementation of its decisions.

Article 17. (1) A trust can be formed, reorganized and terminated by:

1. The Council of Ministers;
2. Decision of the General Assembly of interested enterprises. Such a decision is subject to Council of Ministers ratification.

(2) In setting up a trust, paragraphs 3 and 4 of Article 12 will apply and the organizing document will indicate the structure of the trust.

(3) The economic council of the trust will adopt a regulation of the functions, rights and obligations of the trust in accordance with the contract signed among the enterprises; the competences of the economic council and the trust's manager; the procedure for decisionmaking by the economic council; grounds and procedure for accepting new enterprises or withdrawing from the trust, and others.

Article 18. The maintenance of the trust, including wages and social and cultural measures, will be provided through withholdings from the income of enterprises in accordance with rates stipulated by the trust's economic council. Wage funds will be consistent with the standards recommended by the minister of economy and planning. If the wage fund exceeds the one stipulated in the standard, the procedure of Article 9, paragraph 3, relative to the wage fund of enterprises within the trust, will be applied.

Article 19. (1) The association is an economic group of self-governing economic and other socialist organizations managing large production complexes, with rights, obligations and responsibilities defined by the Council of Ministers or assigned to it on the basis of a contract concluded among its founders.

(2) The association:

1. Formulates, on the basis of the common interest, a strategy for development of the corresponding production complex;
2. Formulates and implements coordinated technological, investment, marketing and social policy for the entire complex;
3. Coordinates the activities of members in development of the complex;
4. Organizes activities of common interest to its members;

5. Promotes the development of competition among enterprises within its system and between them and other enterprises;

6. Helps in the formulation of plans for the development of production facilities included in the object of activities of its members.

Article 20. (1) The Council of Ministers may assign to the association the implementation of specific governmental functions.

(2) The decisions made by the authorities of the association in implementing its assigned functions by the state are mandatory for the corresponding organizations, regardless of whether they are members of the association or not.

Article 21. (1) The association can be established, reorganized or terminated:

1. By the Council of Ministers;

2. By decision of the economic councils of the interested trusts and other socialist organizations. Such decisions are subject to Council of Ministers ratification.

(2) Paragraphs 3 and 4 of Article 12 will apply in setting up the association.

Article 22. (1) The association will have:

1. Full members, with rights and obligations pertaining to all problems of its activities;

2. Supplementary members, interested in the coordinating technological, marketing, investment and social policy exercised by the association. These members will belong to the association on the basis of signing a contract with it pertaining exclusively to problems of mutual interest.

(2) Any self-governing economic and other socialist organization can be a full member of an association and a supplementary members of an unlimited number of association.

(3) The members of the association will retain their juridical and economic autonomy as stipulated in this regulation and other legal acts.

Article 23. (1) The association's authorities will consist of the administrative council and its chairman. Their rights will be defined with the regulation on the structure and activities of the association, which will stipulate the functions, rights and obligations of the association, the procedure for decisionmaking by its authorities, the grounds and procedure for the acceptance and withdrawal of members, etc.

(2) The administrative council will consist of the following:

1. The managers of the organizations with full membership;

2. The chairman of the association;

3. The chairman of the federation of the respective trade union organizations and the representative of the corresponding commercial bank acting in an advisory capacity.

(3) The managers of the organizations which are supplementary members will participate in the work of the council with voting rights only on the subject governing their membership in the association.

(4) The decisions made by the authorities of the association within the limits of their competence will be mandatory for its members.

(5) The administrative council will choose a chairman and the deputy chairman of the association. The election will be based on the stipulations of Article 16, paragraph 4.

(6) The administrative council of the association may set up as auxiliary authorities an executive bureau and councils on the main areas of its activities. The councils will operate on a voluntary basis and will not be staffed by full time personnel.

(7) In the case of disagreement between the administrative council and the chairman the decisions of the administrative council will prevail. If the disagreement is related to the exercise of state functions, the chairman will act in accordance with his own judgment.

(8) The chairman of the association will organize and be responsible for the implementation of tasks assigned to it in accordance with the document for its establishment; he will organize the implementation of the resolutions of the administrative council and represent the association.

(9) The administrative apparatus of the association will act as its administrative council and ensure the implementation of its decisions.

Article 24. (1) The maintenance of the association, including wages and social and cultural measures, will be based on withholdings of funds by its members, in amounts determined by its administrative council.

(2) The wage funds of the association will be consistent with the rates recommended by the minister of economy and planning. Should the wage fund exceed the stipulated rate, the procedure of Article 9, paragraph 3, will apply to the charter members of the association.

Article 25. Agricultural brigades which meet the stipulations of Article 4 will operate as enterprises. They will be set up, reorganized or terminated by the executive committees of the respective municipal people's councils.

Article 26. (1) Brigades in agriculture and other production and servicing agricultural enterprises may join agroindustrial complexes (APK).

(2) The stipulations included in this regulation applicable to the trusts will apply to the APK.

(3) The brigades included in the APK will retain their legal and economic autonomy.

(4) The agroindustrial complexes and the brigades will operate in accordance with this regulation and their bylaws.

Article 27. By decision of the Council of Ministers, individual trusts and associations may set up and distribute their income, make payments to the budget and set up their own funds on a centralized basis. The enterprises and trusts within them will operate on the basis of the rules formulated by the economic council of the trust or, respectively, the administrative council of the association or the Council of Ministers.

Article 28. (1) The cooperative organizations will carry out their economic activities and divide their income on the basis of their bylaws. Relations between these organizations and state agencies, banks and other socialist organizations will be based on the present regulation and other legal acts.

(2) Enterprises may set up and become members of cooperatives and associations.

(3) Public organizations will carry out their economic activities on the basis of their bylaws, under the stipulations of paragraph 1.

Article 29. (1) Citizens may engage in collective or individual labor activity in the production of all types of commodities and services other than those specifically prohibited by law.

(2) State agencies and enterprises will provide conditions and organize and encourage collective and individual labor activity of citizens.

Article 30. (1) Economic associations may be set up on the basis of contracts among the interested socialist organizations, by decision of their collective authority.

(2) Economic associations may include economic societies (society enterprises); associations engaged in joint activities; economic unions; associations for coordination and cooperation, etc.

(3) Enterprises and other socialist organizations may form associations with foreign juridical and physical persons for purposes of engaging in joint economic activities in the country and abroad in accordance with the stipulations of the law.

(4) The procedure governing the establishment, structure and activities of economic associations are based on a regulation issued by the Council of Ministers.

### Chapter 3

#### State Agencies

Article 31. (1) In accordance with their area of competence, the state agencies will provide autonomous or joint state leadership in economic areas and activities of the national economy on the basis of the objectives and areas of socioeconomic development as stipulated in the state plan and through a system of economic conditions, rates and regulations.

(2) The Ministry of Economy and Planning (MIP) will implement state policy and provide state leadership, coordination and control over economic activities.

(3) The other ministries and departments will help the MIP in accordance with their functions and will work in close interaction with it.

(4) In order to ensure interaction among state agencies in managing economic activities, the MIP will set up an economic council. Its competence and membership will be set by the Council of Ministers.

(5) A "Structural and Technological Policy" fund will be set up with assets provided by the state budget, under the MIP, for purposes of financing national scientific and technical projects and for providing specific incentives to commodity producers for structural and technological updating, accelerated application of scientific and technical progress and upgrading the efficiency of production and commercial activities.

Article 32. Any damage caused to self-governing organizations as a result of decisions made by state agencies or based on the nonfulfillment of their obligations will be compensated for by said authorities. Disagreements will be considered by the state arbitration authority. Should instructions result in causing damages to citizens engaged in economic activities, they may seek compensation through the courts.

Article 33. The state agencies will provide conditions for developing competition and exercise control in order to prevent abuses related to the monopoly status of individual commodity producers, by:

1. Applying corresponding economic incentives and penalties;

2. Controlling the price level;
3. Confiscating in favor of the budget income earned as a result of abuse of monopoly status or any other illegal means and holding the culprits liable;
4. Submitting suggestions to the competent authorities concerning the reorganization of enterprises which are monopoly producers, or setting up new enterprises engaging in the same type of activities; ensuring competitive imports; developing cooperative, individual and other forms of economic activities; creating mixed enterprises with foreign companies; using the opportunities of customs-free zones, and others.

Article 34. State agencies, banks and the state arbitration authority will supervise enterprises in order to ensure the satisfaction of social requirements concerning their object of activities. Should they fail to fulfill this obligation, profits earned from the marketing of their goods outside their object of activities or in the case of unsatisfied consumer demand, will be appropriated as budget revenue.

Article 35. The executive committees of municipal and oblast people's councils and mayoralities will carry out functions related to economic activities in accordance with this regulation and the other laws.

#### Chapter 4

##### Planning

Article 36. (1) The MIP, interacting and in coordination with the other ministries, executive committees of people's councils, banks, self-governing economic organizations and the Central Council of Bulgarian Trade Unions (TsS na BPS) will formulate the draft state plan.

(2) The state plan defines the objectives, pace and basic economic proportions; balances of technological connections; priorities and the structural reorganization of the economy, including investments; material, labor, cost, foreign exchange and financial balances; social and spiritual development; trends in the development of the production, technical and social infrastructure of the individual areas and structure-determining production facilities within them; trends of the participation of the country in the international division of labor and in socialist economic integration.

Article 37. (1) The draft state plan will be submitted for information purposes to enterprises, trusts, associations and banks; municipal and oblast people's councils; ministries and other departments, the Central Council of the Bulgarian Trade Unions and other public organizations.

(2) In addition to the draft state plan, economic prerequisites, rates and regulators will be submitted regarding:

1. Prices and price-setting rules;

2. Taxes and other payments to the state budget and to the budgets of municipal people's councils;
3. Interest rates;
4. Foreign exchange rates;
5. Rates and indicators for marketing, expenditures and sales to the state and purchases of foreign exchange.
6. Import duties and export fees;
7. Rates of subsidies and bonuses for individual items or groups of items;
8. Rates of minimal withholdings for monetary funds;
9. Rates of accelerated amortization of technological equipment in priorities sectors and production facilities;
10. Standards governing the extent of satisfaction of the population with commodities and services;
11. Ceilings for some raw materials, materials, energy carriers, machines and others.

Article 38. (1) The state plan may include state orders for the following:

1. A limited range of particularly important items: means of production and consumer goods for the domestic market and for export, for which the state has contracted with other countries;
  2. Mastering particularly important new technologies, new items and new raw materials, as well as important basic and applied research;
  3. Development or technological updating of individual investment projects of national significance.
- (2) State order proposals will be communicated through the draft state plan. If necessary, in the course of the planned period, the MIP may place additional state orders.
- (3) State orders may be assigned on a competitive basis to organizations which have offered the most suitable conditions for their implementation.
- (4) In assigning state orders, the MIP will:
1. Supply on a priority basis certain raw materials, materials, foreign exchange, and others;
  2. If necessary, it may grant state loans to finance capital investments, provide tax benefits and temporary subsidies, or state budget funds to finance scientific and technical research and mastering;

3. Ensure repayment of loans and payment of interest from the state budget.

(5) State orders may be assigned also for the production of commodities and services needed by the national economy for which no contracts have been concluded among enterprises or which have not been included in the formulation of trust plans.

(6) The executive committees of oblast and municipal people's councils may assign orders to meet the needs of the population of the respective territories of enterprises as per Article 12, paragraph 1, point 2, in accordance with the stipulations of the preceding paragraphs.

Article 39. (1) The enterprises will draft their plans on the basis of the information provided in the draft state plan, the approved economic conditions, rates and regulations, developments adopted by the economic council of the trust concerning its overall activities and its own marketing, technological and other developments and contracts.

(2) The plan of the trust will be drafted jointly with the enterprises and will be adopted by its economic council. It is on this basis that the enterprises will refine their own plans.

(3) If differences appear among enterprises in the course of the formulation of the trust's plan, its economic council will seek mutually acceptable solutions and, if necessary, provide economic assistance to the enterprises.

(4) The economic plan adopted by the trust will be submitted to the MIP for information and for control over the implementation of state orders.

Article 40. (1) In the course of the formulation of the plans the MIP, together with the respective state authorities and banks, will hold discussions with enterprise associations.

(2) Should no agreement be reached as a result of such discussions dealing with matters of important national economic significance, they will be submitted by the MIP or the association to the Council of Ministers with suggestions concerning their resolution.

Article 41. Trusts and enterprises will provide the daily organization, coordination and control over the implementation of their own plans.

## Chapter 5

### Price Setting

Article 42. (1) The enterprises will set wholesale prices of their commodities and services on the basis of the actual prices at which they will be sold on foreign markets. The following will be taken into consideration in price setting:

1. Anticipated changes in international prices, including expected rates of inflation, eliminating the influence of random factors;

2. The supply and demand ratio;

3. The specific trade and economic conditions governing export and import deals.

(2) The prices of goods and services which are not sold on foreign markets or are produced for the first time will be based on a representative international price of similar goods (services) or in correlation with prices of similar goods (services) taking differences in quality parameters under consideration.

(3) Prices set on the basis of the stipulations of the preceding paragraphs will be considered maximal and subject to registration.

Article 43. (1) The specific prices at which goods and services are marketed in the country will be subject to agreement between producers and consumers and may not exceed the recorded maximal prices.

(2) The prices of basic goods and services for the population, as well as of some means of production, will be set by the Council of Ministers which will also draw up a list of commodities and services the prices of which will be set by other state agencies.

(3) Should the Council of Ministers order the sale of goods and commodities at prices below those stipulated as per Article 42 or to be granted at a discount or free of charge, the difference will be covered by the state budget.

Article 44. The prices of finished goods will be maximal in terms of prices of complementing and intermediary goods within them. This stipulation will not pertain to complementing or intermediary items sold directly on foreign markets.

Article 45. Based on their own judgment, enterprises may market their goods at reduced prices which may affect their financial results.

Article 46. (1) In order to restrict and stop the production of morally obsolete and unfashionable goods or goods of low technical standard, the Committee for Quality may:

1. Suggest to the competent state price authorities a lowering of maximal prices;

2. Impose discounts on contractual prices, paid into the state budget as revenue.

(2) Revenue from the sale of substandard goods, billed as being of standard quality, will be paid to the state budget in addition to penalties based on other laws.

Article 47. The procedure and means of setting, recording, contracting and amending prices of goods and services and disagreements and controls related to prices, as well as specific price-setting rules will be based on a directive issued by the Council of Ministers.

## Chapter 6

### Forming and Distribution of Income and Relations with the Budget

Article 48. (1) The enterprises will form and distribute their income on the basis of revenue from marketing their goods in accordance with the appended system.

(2) The following will be paid out of enterprise profits: Taxes and payments to the state budget and municipal people's councils, and interest and repayment on bank loans and insurance premiums.

(3) Loan repayments and interest on capital investments will be paid from profits before taxes on the profit and out of the Development and Technical Improvements Fund.

(4) The enterprise income will come from the residual profit after payments have been made as per the preceding paragraphs, and from budget subsidies, as well as the wage fund included in the cost of goods marketed.

(5) The enterprise funds, withholdings for the maintenance cost of the trust and means for meeting the payroll will come from the enterprise income.

Article 49. (1) The enterprises will pay to the state budget and, respectively, the municipal people's councils, a turnover tax; excise fees; tax on basic production assets; rental tax; tax on their working capital; manpower tax; payments to municipal people's councils; and tax on profits and customs fees.

(2) The rates of taxation and the payments as per the preceding paragraph will be uniform for all enterprises.

(3) The Council of Ministers or an authority assigned by it may declare tax free activities, production facilities and territories.

(4) Profits from the marketing of new goods technologies and services which lead to new technological and market breakthroughs may be declared tax free for a period of no more than 2 years by decision of the minister of economy and planning.

Article 50. (1) The enterprise will set up the following funds: Development and Technical Improvements; Social and Cultural Measures; Economic Risk; Foreign Exchange and Wages. Other funds may be set up by decision of the Council of Ministers.

(2) Income withholdings for the respective funds will be based on rates stipulated by the economic council in accordance with the rates approved by the Council of Ministers.

Article 51. (1) The trust will set up the Development and Technical Improvements, Foreign Exchange, and Economic Risk funds from withholdings from the corresponding enterprise funds.

(2) The economic council of the trust will determine the amount of withholdings as per the preceding paragraph in accordance with the requirements needed for the implementation of objectives. Such withholdings may not exceed 50 percent of the annual funds withheld for the respective funds from the profit.

(3) Enterprise amortization withholdings may not be centralized by the trust.

(4) The restrictions stipulated in Article 6, point 4, must be observed in the use of the assets of association funds.

Article 52. (1) By decision of administrative council, the association may set up target funds which may be used in the implementation of the association's functions.

(2) Withholdings for association funds will be for purposes stipulated by the administrative council and may not exceed 50 percent of the annual assets for the respective funds of the charter members of the association. The additional members will withhold the assets for the funds in accordance with their membership participation contract with the association.

(3) The individual members of the association may grant the association additional funds in domestic and foreign exchange for the purpose of solving problems of common interest.

Article 53. (1) A self-renovating fund for state crediting of capital investments will be formed with funds provided by the state budget and on the basis of other sources, kept at the bank stipulated by the Council of Ministers. The procedure governing the utilization of such assets will be based on a Council of Ministers regulation.

(2) The minister of economy and planning may lower some taxes, as follows:

1. For financing production developments in individual municipalities or mayoralties and for stimulating the production of stipulated goods and services;

2. For covering some of the cost of purchasing and installation of highly efficient equipment and technology.

Article 54. (1) The following may be allocated from the state budget:



Chapter 7

1. Supplements to prices for stimulating the production of commodities with which the top achievements of science and technology are mastered; the accelerated elimination of shortages and the satisfaction of increased consumer demand; the improvement of foreign payments and increasing the production of scarce agricultural commodities;

2. Rated subsidies for items and groups of items, compensating for the average production cost of the sector and the wholesale price;

3. Rated subsidies for passenger transportation in accordance with a procedure stipulated by the minister of economy and planning.

(2) Supplements and subsidies as per the preceding paragraph will be included in the state plan. The minister of economy and planning may grant additional bonuses and subsidies in the course of the implementation of the state plan.

(3) No state subsidies will be provided for morally obsolete goods which are not in demand or when losses and low profitability are caused by subjective reasons.

Article 55. If retail prices of individual commodities are below the prices set by the state authorities, the difference will be compensated by the state budget as a retail price subsidy.

Article 56. The Ministry of Economy and Planning may grant subsidies to individual enterprises whose rate markups and subsidies do not ensure the self-financing of expanded reproduction and production-economic activities.

Article 57. The minister of economy and planning may allow markups and subsidies on the basis of programs aimed at lowering expenditures and increasing efficiency.

Article 58. (1) Trusts and enterprises will ensure their own self-financing in foreign currency.

(2) Foreign currency funds may be used exclusively for production-economic activities.

(3) The enterprises may grant to the bank some of their own convertible currency and purchase additional such currency in accordance with a procedure stipulated by the chairman of the Bulgarian National Bank and the minister of economy and planning.

Article 59. The minister of economy and planning will issue instructions on forming, distributing and utilizing the income, profit and funds and determine the dates for the payment of taxes and deposits and, if necessary, issue specific regulations for certain sectors and activities.

Wages

Article 60. The following stipulations must be observed in establishing the wage fund and determining individual wages:

1. Create an interest in the production of goods in demand on the market;

2. Encourage mastering the achievements of scientific and technical progress;

3. Reduce the size of the personnel;

4. Ensure a direct connection between wages and end results;

5. Achieve total harmony with the influence of other economic regulators;

6. See to it that higher labor productivity outstrip the growth of average wages;

7. Individual wages will be paid within the limits of the wage fund;

8. A differentiation will be ensured among individual wages in the corresponding personnel categories as well as among them;

9. No restriction will be imposed on the maximal amount of an individual wage;

10. Based on the conscientious implementation of assignments a wage equaling the minimal wage for the country will be guaranteed.

Article 61. (1) Fines, price discounts and compensations due to legitimate quality claims, violation of technological standards, discounts for substandard goods and other penalties related to the quality of output will be paid out of the wage fund.

(2) Individual wages will be lowered by the amount of the compensation paid for damages caused as per the preceding paragraph if caused by individuals who have caused harm to brigades, enterprises or other self-governing economic organizations, under the conditions and procedures stipulated in the Labor Code.

Article 62. The Council of Ministers will determine the conditions and procedure for the establishment and use of the wage fund and of individual wages with a view to guaranteeing the planned efficiency of the economy and securing the interests of the state and the labor collective.

## Chapter 8

### Relations With Banks

Article 63. (1) Enterprises and associations will have relations with banks on an economic and contractual basis and may be serviced by and obtain loans from different banks.

(2) The banks will provide assistance and aid by issuing loans, making payments, paying interest, participating in enterprises and other specific instruments in the implementation of the state plan and the plans of self-governing economic organizations.

(3) The banks will exercise comprehensive control through the currency over the economic activities of enterprises and the efficient utilization of enterprise funds and credit resources, in accordance with the strategy formulated in the state plan. Should deviations from the strategy take place, the banks may refuse loans and block the utilization of enterprise funds by informing the respective state authorities.

Article 64. (1) The enterprises will obtain loans from banks on a competitive basis and for specific projects exclusively. Loans for capital investments will be granted for a term of no more than 10 years.

(2) Banks may refuse loans to enterprises which fail to provide efficient management and control over their assigned socialist property projects.

(3) Banks may not obey instruction issued by state authorities on granting loans in violation of the requirements stipulated in the preceding paragraphs.

(4) Banks may credit scientific research and technological developments involving a certain risk, carried out by program and creative collectives or individual scientific workers and specialists.

Article 65. (1) Interest on loans and deposits will be based on agreements between enterprises and banks.

(2) Interest on loans and deposits in foreign currency will be based on the conditions prevailing on the international money markets.

(3) Banks may grant loans at a lower interest rate for solving problems of importance to the national economy.

(4) Should bank loans be granted at interest rates below the agreed upon rate by decision of the Council of Ministers, the difference will be paid out of the state budget.

Article 66. Enterprises may agree among themselves on payments for procurements and services under conditions of company (commercial) loans and agreed upon interest rates.

## Chapter 9

### Scientific Research and Technological Activities

Article 67. (1) Enterprises and associations will engage in their scientific research and technological activities independently through their internal structural unit or other organizations for research and technology, program collectives, scientific organizations, collectives for the technical and scientific creativity of youth, and others.

(2) Tasks related to scientific research and technological activities may be assigned also on a competitive basis and on the basis of technical and economic projects.

Article 68. (1) Research and technology organizations, such as institutes, centers, scientific and technological associations, and others, will be established, reorganized or terminated like enterprises and association in accordance with the procedure outlined in this regulation and based on the suggestion submitted by the interested parties.

(2) Internal structural units engaged in scientific research and technological activities in enterprises will be set up by the enterprises and work on the basis of internal cost accounting.

Article 69. (1) The program collective is the basic form of creating, mastering and transferring scientific research and technological products. Such a collective will be dismantled after fulfilling its assignment based on the contract for which it was established.

(2) The manager of the program collective will be appointed on the basis of a competition within the socialist organization which has set up the collective.

Article 70. (1) Scientific and technological products are of a commodity nature and are subject to contractual relations.

(2) Risk scientific research and technological developments, assigned to program and creative collectives or to individual scientific workers and specialists may be financed out of assets from the Economic Risk Fund or, if more funds are necessary, from the Development and Technical Improvements Fund of Enterprises and Associations or out of state budget funds.

Article 71. (1) The commodity producing organization may submit to participants in program and creative collectives and individual performers an additional specified percentage of the volume of sales or profits achieved as a result of the scientific research or technological product developed by them.

(2) The amounts as per the preceding paragraph will be paid within a period of time and in amounts stipulated in the contract between the parties, in accordance with the rate approved by the minister of economy and planning.

Article 72. (1) Scientific research and technological products which are not subject to special legal protection will be the property of:

1. The organization in which they were created;
2. The assigning organization, if they are the result of the implementation of a contract;
3. Citizens who have developed them independently, outside their official or contractual obligations.

(2) On the basis of a contract organizations and citizens may grant or allow the use by other organizations of goods belonging to them as per paragraph 1.

(3) The minister of economy and planning may grant interested organizations the use of products as per paragraph 1, belonging to organizations or citizens, should the latter refuse to submit them in violation of public interests, and determine the conditions for their use and the payments to be made to the owners.

Article 73. (1) The minister of economy and planning may reward labor collectives and individual specialists for the implementation of previously assigned scientific research and technological tasks. The size of such rewards will be determined in the assignment of the tasks and may not exceed 100,000 leva per labor collective and 5,000 leva per individual specialist.

(2) By decision of the economic council of self-governing organizations, labor collectives and individual participants may be offered rewards for the implementation of assigned tasks not to exceed 50,000 leva per collective and 2,000 leva per specialist. Such funds will be paid out of the wage fund.

Article 74. Scientific workers may be employed in all structural units of self-governing economic organizations and retain their scientific degrees and titles.

## Chapter 10

### Investment Activities

Article 75. (1) The investor will guide and organize the investment process, finance capital investments and ensure the installation of assets and the reaching of planned capacities; he will bear full economic responsibility for observing technological, economic and legal requirements in the implementation of the investment process.

(2) The following may act as investors:

1. The enterprise, if it organizes and finances the modernization, reconstruction and expansion of capacities;

2. The trust and association if, by decision of the economic council and, respectively the administrative council, it organizes and finances the building of new enterprises;

3. The enterprise, trust or any other socialist organization participating in the association to which the partners have assigned the organization of the investment process for the building of joint projects.

4. The executive committee of the respective people's council, for projects within the social, technological and production interest structure;

5. Cooperative and public organizations.

Article 76. (1) A Bulgarian or foreign design and engineering organization, a temporary design collective, and others, may be assigned as designers. Design and engineering may also be carried out by the construction workers or the suppliers of machines and equipment.

(2) In the case of projects the cost of which exceeds the amount stipulated by the Council of Ministers the study and designing must mandatorily take place with participation of at least one foreign organization or collective.

(3) Survey and design operations approved by experts and the investors are not subject to coordination with other authorities.

Article 77. (1) The performer may be a Bulgarian or foreign organization engaged in architectural-construction and installation projects.

(2) Priority will be given to projects related to state orders placed with investors.

Article 78. (1) The cost of the projects will be agreed upon within the limits of the maximal price stipulated in accordance with Article 47 of this regulation.

(2) Payment for construction will take place after the total completion and acceptance of the project or the subprojects which may start operations. Current advances to the performer may be allowed within the limits stipulated by the Council of Ministers.

Article 79. The acceptance of projects will take place by an acceptance commission chaired by the state technical control representative.

Article 80. (1) Enterprises engaged in construction and installation activities may become investors using their own funds and bank loans in building projects in the production and nonproduction areas.

(2) The projects as per the preceding paragraph may be sold as finished construction products at prices stipulated by the state price authorities or, if no such prices have been set, on the basis of agreements between sellers and buyers, or else they can be leased.

(3) The projects may be built by enterprises for construction and installation activities as finished products at their own risk or on the basis of an advance contract signed with the purchaser.

Article 81. All investment projects must be mandatorily submitted to technical-economic and architectural-urbanization, social and ecological expert evaluations organized by the investor.

Article 82. Relations among participants in the investment process must be settled on the basis of a Council of Ministers regulation.

## Chapter 11

### Trade and Procurement Activities

Article 83. (1) The enterprise will carry out its commercial activities through:

1. Its specialized unit;
2. A specialized unit within the trust;
3. An association or a society for commercial activities;
4. A specialized trade enterprise;
5. In other ways.

(2) The economic council of the enterprise will determine the form of commercial activities, guided by efficiency criteria.

Article 84. (1) The following will be responsible for meeting the needs of the domestic market for consumer goods, means of production, raw materials, materials, etc.:

1. Producing enterprises which have not procured contracted for commodities;
2. Commercial enterprises which have not ordered or contracted for the necessary goods in terms of deadlines, quantity, quality, variety, season, etc.

(2) Enterprises responsible for failure to meet consumer demand must ensure the additional production or import at their own expense and the responsible officials will bear property and disciplinary liability.

Article 85. (1) The production of luxury, delicatessen, and trademark commodities for the population may be organized only by enterprises which have the necessary

technology, material resources and trained manpower and have met the requirements of commercial enterprises for high quality and fashionable consumer goods.

(2) Luxury, delicatessen and trademark goods may be sold only in specialized stores meeting the necessary requirements, assigned by the executive committees of municipal people's councils.

(3) The parameters of luxury, delicatessen and trademark goods will be based on standardization documents approved and respectively registered with the Committee on Quality.

(4) The income earned by production and trade enterprises from the production and sale of luxury, delicatessen and trademark goods in violation of the stipulations of the preceding paragraphs will be confiscated in a double amount in favor of the state budget.

Article 86. (1) Enterprises will organize the procurement of goods and other material resources on a commercial basis or through the intermediary services of a trade organization.

(2) Priority will be given to supplying consumers engaged in the implementation of national comprehensive target programs or state orders.

(3) The trade organizations will be given mark-ups (discounts) only for the material resources which are purchased or sold with their participation. The trade organizations may agree on commission for additional services related to the marketing of material resources.

Article 87. (1) Foreign exchange income and expenditures in convertible currency, as well as profits and losses from exports or imports will be the responsibility of the producing enterprise unless stipulates otherwise in the contract.

(2) State authorities and associations will compensate for damages or lost income of an enterprise, should they make decisions or conclude contracts related to foreign trade activities which affect the economic interests of the enterprise without the latter's knowledge.

(3) The wages of the personnel of foreign trade organizations (units) and of personnel operating abroad will be based on the amount of foreign exchange income, returns from exports and achieving better prices compared to those stipulated by the producer.

Article 88. The minister of economy and planning will deprive an enterprise of the right to independent commercial activities should such an enterprise directly engaged in commercial activities in the country and abroad in systematic violation regulations and stipulations. In the case of foreign economic activities such a decision must be coordinated with the minister of foreign economic relations.

Article 89. Enterprises may engage in barter operations in order to improve the variety of goods and meet consumer demand.

## Chapter 12

### Economic Contracts

Article 90. Relations among enterprises and between them and other socialist organizations and internal units as per Article 14 will be based on economic contracts.

Article 91. (1) In the case of deliberate nonfulfillment of contracts the enterprise will be held responsible for the proper implementation of contracts and will be held liable for penalties, damages and lost revenue. Penalties and compensations for damages and lost income will be collected without the need for endorsement or filing of claims.

(2) The state control authorities will investigate and seek responsibility for nonconclusion and nonfulfillment of contracts. The right to investigate and institute liability will be granted also to the state-public authorities and the executive committees of people's councils. Should they determine that socialist organizations are not seeking liability, they will inform the state arbitration authorities which will instigate official procedures in accordance with the stipulations of Article 13, "c" of the State Arbitration Law.

(3) Commercial and service banks must control the implementation of concluded contracts and mandatorily seek commercial liability by informing the corresponding control authorities and the state arbitration for purposes of imposing penalties. Bank officials who have failed to implement this obligation will be fined as per Article 32, paragraph 2, of the Law on Administrative Violations and Penalties, as per Article 18, paragraph 2, "b" of the State Arbitration Law.

(4) The procedure and regulations governing the conclusion and implementation of the various types of economic contracts among socialist organizations, as well as responsibility for their nonfulfillment and procedure for their implementation will be based on a Council of Ministers regulation.

(5) Fines related to contracts will be paid out of the enterprise's income.

### Concluding Stipulations

Only paragraph. The present regulation will be adopted on the basis of Article 46 of the Law on the Unified State Plan for Scientific and Technical and Social-Economic Development of the Bulgarian People's Republic During the Ninth 5-Year Period (1986-1990) and will be effective as of 1 January, 1988 and applied through 1990.

## Rules Governing Economic Activities

22000011 Sofia DURZHAVEN VESTNIK in Bulgarian  
12 Jan 88 pp 1-14

[Excerpts] Council of Ministers Regulation 64, dated 18 December 1987, on the adoption of legal acts and laws on economic activities

### Council of Ministers Regulations

## Provisional Regulation on the Self-Governing of Territorial Communities

### Chapter 1

#### General Stipulations

Article 1. (1) The present regulation is issued on the basis of Article 12 of the Law on the People's Councils, in accordance with the Declaration of the National Assembly of the Bulgarian People's Republic on converting municipalities into self-governing communities of the population and the July 1987 Regulation of the BCP Central Committee Plenum.

(2) The present regulation will apply to the basis rights, obligations and responsibilities of mayoralities, municipalities and oblasts.

### Chapter 2

#### The Mayoralty

Article 2. (1) The mayoralty will be the authority of the self-government of the population in a settlement.

(2) The General Assembly of the population will be the basic form of self-government in a settlement and, in large settlements, of population representatives.

(3) The mayoralty will control and manage the socialist property granted to it—land, pastures, forests, buildings, and engineering facilities.

Article 3. The General Assembly of the population (of representatives) will:

1. Adopt a plan for the development of the settlement;
2. Draft the mayoralty's budget;
3. Draw up a list for the construction of projects for comprehensive public services;
4. Draft a plan for self-satisfaction with farm products;
5. Draft accounts on the activities of the mayoralty and the heads of organizations and units related to population services;
6. Draft resolutions on suggestions related to recalling counselors and the mayor;

7. Make decisions on other problems affecting the interests of the entire population.

Article 4. The mayoralty will:

1. Participate with the summation of its considerations in the formulation of the plan for the socioeconomic development and budget of the municipalities;

2. Formulate an annual plan to include the development of activities of comprehensive public services, urbanization and hygiene of settlements; construction with internal forces, preservation and maintenance of housing and communal facilities, self-satisfaction of the population with agricultural commodities and development of individual and collective work for the additional production of goods and services;

3. Determine on a legal basis the location of projects for comprehensive public services of significance to the settlement;

4. Participate in the formulation of settlement and urbanization plans;

5. With the powers invested by the municipality, perform the function of investor in important infrastructural settlement projects;

6. Control the activities of all commercial, household and consumer services and activities of cultural-educational and health institutions in the settlement;

7. Plan and control the production, purchasing and marketing of goods within the system of self-satisfaction with agricultural commodities;

8. Control the use of land granted to the citizens;

9. Control the activities of field watchmen;

10. Levy fines for environmental protection violations;

11. Direct and control joint activities of self-governing organizations and other authorities in settlements for purposes of developing a single infrastructure and expanding capacities for the production of consumer goods and services;

12. Join other mayoralties and organizations in solving common problems.

Article 5. The mayoralty must:

1. Ensure the efficient utilization of labor and other settlement resources;

2. Ensure the satisfaction of the daily needs of the population;

3. Organize the urbanization and hygiene of settlements;

4. Organize the preservation and maintenance of housing, communal, building and other facilities;

5. Organize and help citizens in building housing and other structures through their own efforts;

6. Help the activities of schools, cultural institutes and health establishments;

7. Provide conditions for the production of consumer goods and services;

8. Organize and create conditions for the development of collective and individual labor activity by citizens for the production of commodities, services and agricultural produce;

9. Provide administrative-legal and technical services to the population directly or acting as an intermediary;

10. Ensure the maintenance of public order, the struggle against illegal construction, traffic organization and safety, protection of socialist and private property and for safeguarding the legitimate rights and interests of other citizens.

11. Ensure environmental protection.

Article 6. (1) The mayoralty will be responsible for meeting the daily needs of the population relative to the urbanization and hygiene of settlements.

(2) Mayoralty officials found guilty of infractions will bear stipulated property, administrative-penal and disciplinary responsibility for damages caused to the population and to the self-governing organizations as a result of their actions or inactions.

Article 7. (1) The mayoralty will draft its autonomous budget on the basis of its own income and rates of maintenance and development of its activities.

(2) The mayoralty's income the sum of which will be considered its budget revenue will consist of:

1. A percentage of payments for the municipal people's councils, made by enterprises, shops and brigades conducting their activities on the territory of the mayoralty, on the basis of stipulated rates;

2. Taxes and fees collected from the population in accordance with a list drawn up by the Council of Ministers;

3. Loans and other income from the mayoralty's property and other sources;

4. Fines;

5. Other sources as stipulated by the law.

(3) If the income of the mayoralty is insufficient to meet legally determined expenditures, the funds will be balanced with a municipal budget subsidy. Should the income of the mayoralty exceed the legally defined expenditures, the difference will be deposited to the municipal budget at a rate stipulated by the Council of Ministers.

(4) Carry-over surpluses from previous years and funds contributed by self-governing economic organizations may be used without restrictions.

Article 8. The municipal people's councils may assign to mayoralties with populations in excess of 4,000 some of their functions unless the law specifically prohibits such assignment.

### Chapter 3

#### The Municipality

Article 9. (1) The municipality is the basic administrative-territorial unit and a self-governing population community.

(2) The municipal territory will include settlements, their land, production assets, engineering and technical and social infrastructure and all fixed amenities.

(3) The population is the owner of the territory of the municipality and the manager of the socialist property.

(4) The municipality performs the functions of controlling and managing objects of socialist ownership—land, buildings and infrastructural projects, in accordance with legally regulated procedures.

(5) The municipality manages and controls socialist property assigned to it.

(6) The municipality organizes its activities on the basis of the principles of self-support and interacts with enterprises and other municipalities on an economic basis.

Article 10. (1) Through referenda, general meetings organized jointly with the Fatherland Front and open sessions of the people's council, the population of the municipality participates in determining:

1. The basic trends of socioeconomic, territorial-structure and spiritual development of the municipality and the protection of the environment;

2. The structure and location of capital construction projects needed for building the municipal infrastructure;

3. The plan for self-satisfaction with agricultural commodities;

4. The administrative and territorial changes and naming and renaming projects of local significance;

5. Other problems of importance to the population.

(2) The population in a municipality supervises:

1. The activities of the municipal people's council and its agencies;

2. The use of facilities granted to labor collectives for management and control;

3. Activities of enterprises aimed at satisfying the comprehensive needs of the population;

4. Activities related to the use of collective and individual work of citizens in the production of goods and service.

Article 11. The municipal people's council:

1. Formulates a strategy for the economic, scientific and technical, territorial-structure, social and spiritual development of the municipality; participates in defining the structure of production capacities;

2. Balances, coordinates and controls the use of municipal territorial resources, including manpower, land, forests, pastures, waters, jobs, housing, and construction capacities; coordinates estimates on the needs of organizations for workers and specialists;

3. Formulates the 5-year and annual plans for the development of production activities of municipal importance, the development of a system for comprehensive social services to the population, the development of the infrastructure and the implementation of integration measures with other municipalities;

4. Assigns orders to enterprises working with municipal facilities in accordance with the procedures stipulated in the Regulation on Economic Activities (PSD);

5. Formulates mandatory requirements and local standards applicable to all enterprises and other organizations related to the comprehensive development and building up of the municipality, the use of territorial resources, environmental protection and the production of goods and services for the population.

6. Establishes on a legal basis the network of projects of municipal importance for comprehensive social services to the population, and the time and sequence of their completion.

7. Approves territorial-structure and urban construction plans for the municipal territory. Issues agreements on designing and building of new projects in the production and non-production areas and their reconstruction and updating;

8. Ensures the architectural-artistic development and construction of the settlements;
  9. Implements investment policies and functions by planning the financing, ensuring the designing and construction of projects within the unified social, technical and industrial infrastructure;
  10. Collects, on the basis of existing laws, financial resources for building projects with its own funds and funds mandatorily contributed by enterprises for infrastructural development, reconstruction and modernization of production facilities, and with funds contributed by the republic budget;
  11. Coordinates and supervises the activities of all organizations participating in the municipal investment process;
  12. Supervises the conclusion and implementation of contracts among self-governing economic organizations, in accordance with the PSD;
  13. Defines conditions governing the activities and supervises projects and establishments providing commercial, consumer and other services to the population;
  14. Plans, balances and supervises the production, purchasing and marketing of goods within the system of self-satisfaction with agricultural commodities;
  15. Allocates land for individual, family and group use for self-satisfaction, unused by the agricultural organizations or else belonging to the forest fund, suitable for farming and grazing;
  16. Organizes the transportation system of the municipality;
  17. Controls the utilization of production capacities, resources, and technical standards of the production process and the quality of output and services on the territory;
  18. Provides organizational-pedagogical guidance for the training process;
  19. Manages kindergartens, unified children's institutions and training-educational establishments;
  20. Participates in setting up vocational training complexes;
  21. Coordinates the activities of organizations within the municipality engaged in training and upgrading skills of work cadres;
  22. Coordinates cultural life and supervises cultural activities on municipal territories;
  23. Assigns and helps in the settling housing problems of citizens and young families;
  24. Provides social assistance to the population;
  25. Concludes labor contracts in accordance with the stipulations of the Labor Code with managers of training, children's health and cultural institutions of municipal significance;
  26. Supervise improvements of the ecological and labor environment and labor conditions and safety; levies fines for environmental protection violations;
  27. Coordinates and controls the activities of all authorities and organizations in the municipality which provided administrative-legal services to the population;
  28. Confiscates unoccupied state property and manages the property of the state;
  29. Sets prices, fees and patent charges on goods and services in accordance with the law;
  30. Sets municipal fees for real estate and bedding facilities and the use of the infrastructure by organizations and physical persons in accordance with the laws and other regulations;
  31. Makes decisions and issues regulations, ordinances and instructions;
  32. Sets enterprises for the production of commodities and services, for the processing of agricultural goods, construction, urbanization, maintenance of housing and other buildings and communal activities owned by the municipality;
  33. Sets up associations with self-governing economic organizations, and other municipalities and institutions aimed at achieving joint objectives and assignments;
  34. Organizes the search for income, levies fees and taxes controls the proper determination and prompt payment to the state budget and to the budget of the municipality of all taxes, excise and other fees and so on; sets the amounts of subsidies, markups, bonuses and others to be paid out of the state budget to all self-governing economic organizations on municipal territory.
- Article 12. The municipal people's council has the following obligations:
1. To ensure the efficient use and maintenance of territorial resources, protect the environment and ensure the full employment of the population;
  2. To ensure the comprehensive satisfaction of the needs of the population; help equalize living conditions in all municipal settlements;



3. To ensure the economic and other conditions needed for the opening of new production capacities and the production of goods and services and agricultural commodities;

4. To organize the maintenance, reconstruction and updating of established communal and building facilities;

5. To organize the urbanization and hygiene of settlements, the maintenance of sanitation in settlements and the treatment of waste waters;

6. To organize the drafting, application and maintenance of land records;

7. To organize and assist in housing construction through local efforts;

8. To lead in the struggle against illegal construction;

9. To organize internal settlement passenger and cab transportation, communications, and the reconstruction and maintenance of local roads;

10. To organize activities within the system of self-satisfaction with agricultural commodities and ensure commodity supplies;

11. To organize, together with the agricultural organizations, services to private and auxiliary farms;

12. To organize municipal markets;

13. To organize and help collective and individual labor activity of citizens; to create conditions for making full use of available manpower—the retired, mothers of families and housewives and students of able-bodied age, the disabled and the resettled, and so on, for the production of goods and services;

14. To provide information on available jobs; to help find jobs for young specialists;

15. To organize preschool education and secondary polytechnical and vocational training;

16. To organize activities related to vocational guidance and the social realization of young people;

17. To organize activities in culture, scientific services in the territory, local radio propaganda, celebration and ceremonial activities, and the development of libraries and youth activities;

18. To organize outpatient-polyclinical and hospital services to the population, mother and child health care, protection of the health of the population and the

workers, preventive health care and education and medical-social care, sanitation-hygiene and anti-epidemic measures and medical-sanitation training of the population;

19. To provide social care to the population;

20. To organize recreation, tourism, physical culture and sports for the population, the students and children, and to develop corresponding facilities in the municipality;

21. To organize and provide administrative-legal services to the population;

22. To organize the protection of the interest of the public and the right of citizens;

23. To organize the preservation of public order, traffic safety, activities of voluntary detachments of the working people and fire fighting, and to organize the work of house councils;

24. To organize civil defense, the registration of draftees and the mobilization resources on municipal territory;

25. To organize the protection of socialist property and the struggle against the plundering of such property;

26. To improve the system of management and application of automated control systems and population services.

Article 13. (1) The municipal people's council will be responsible for the following: the comprehensive development and building up of the municipality, equalizing living conditions in settlements, meeting the material, spiritual and social needs of the population; market conditions; efficient utilization of territorial resources; environmental protection; utilization of the population's labor for the additional production of goods and services.

(2) Delinquent officials will bear the stipulated property, administrative-penal and disciplinary responsibility for damages caused to the mayoralties and the self-governing organizations resulting from their actions or inactions.

Article 14. (1) The municipal people's council will set up an independent budget based on uniform and municipally differentiated standards, approved by the Council of Ministers, for maintaining and developing activities, based on income earned in the municipality.

(2) The income of the municipal people's council budget will come from:

1. Payments for the municipal people's councils made by enterprises, cooperatives, agricultural organizations and others operating on municipal territory, in accordance with the procedure stipulated by the Council of Ministers;

2. Rent tax based on rates set by the Council of Ministers;

3. The full amount of all taxes and payments made by enterprises operating on the municipal level;

4. Taxes, fees and fines collected from the population in accordance with a list drawn up by the Council of Ministers;

5. Rental and other income based on municipal property;

6. Other sources as set by law.

(3) On the basis of the law, the municipal people's council will finance the following:

1. The full maintenance, wages, insurance payments, scholarships, food, medicine, heat, light, clothing, current repairs and others in activities related to the education, health care, social insurance, culture, youth activities, physical culture, sports and tourism and recreation activities;

2. The equipment of children's training and education, health and social institutions, schools, museums and public libraries;

3. Basic repairs of material and technical facilities for activities under the jurisdiction of the people's councils;

4. The expansion, reconstruction and construction of projects within the social and technical infrastructure of the territory, on the municipal level;

5. Integration activities with other people's councils and mayoralties;

6. Maintenance and current repairs of streets and roads of municipal importance, cleanliness, public hygiene, landscaping and the lighting of streets and roads;

7. Maintenance of the local state and people's self-government authorities;

8. Administrative-legal services to the population;

9. Part of the expenditures of self-governing economic organizations of local importance, should the income from the sale of their goods prove insufficient to meet production expenditures but whose output is needed for providing the population with services.

(4) If the income of the municipal people's council exceeds the legally stipulated expenditures, part of the difference will be paid to the state budget in accordance with a rate stipulated by the Council of Ministers.

(5) If the municipal income is insufficient to cover legally stipulated expenditures for maintenance and development, the difference will be subsidized directly out of the state budget.

(6) Carry-over funds from previous years and funds paid out by self-governing economic organizations may be used without any restrictions.

(7) The municipal people's councils will set up a Reserve Fund, Foreign Currency Fund and a Social and Cultural Measures Fund.

(8) The Foreign Currency Fund will come from foreign exchange payments made by self-governing economic organizations on municipal territory. The amount of withholdings will be determined in accordance with the stipulations of the PSD.

(9) The municipalities may use loans to finance their activities.

Article 15. The municipal people's council will manage, coordinate and supervise the activities of mayoralties; stop the execution of illegal or improper laws and actions taken by the mayoralties; contribute to the development of self-government.

## Chapter 4

### The Oblast

Article 16. (1) The oblast is the self-governing community of the population in the municipalities.

(2) The oblast people's council organizes its activities as the self-governing authority of the municipalities.

Article 17. The oblast people's council:

1. Participates in determining the directions to be followed in the socioeconomic development of the country;

2. Participates in the formulation of the General Plan for the Territorial Location of Production Forces and the unified territorial-structure plan;

3. Formulates a strategy for the socioeconomic development of the oblast and the organization of the territory;

4. Implements the policy of the state in agriculture;

5. Places orders in accordance with Article 38, paragraph 6 of the PSD to meet the needs of the population on its territory for agricultural commodities;

6. Assists the economic organizations in the municipalities and controls the implementation of state tasks in the areas of construction and the comprehensive housing program;

7. Guides methodically and controls activities related to the territorial-settlement structure, urban construction, urbanization, geodesy and land registration;

8. Assists and supervises economic organizations and municipalities in the implementation of state assignments in industry, transportation, trade and communications;

9. Coordinates the development of comprehensive social services to the population;

10. Assists and coordinates the activities of municipalities related to the spiritual development of the population;

11. Guides and supervises activities in the following areas: maintenance of socialist legality, public order and protection of the rights and legitimate interests of the citizens; specialized activities, organization and traffic safety, strengthening the country's defense, perfecting and automating management and developing self-government; providing administrative-legal services to the population;

12. Issues resolutions, ordinances, regulations and instructions.

Article 18. The oblast people's council has the following obligations:

1. To make use of the possibilities of the territory and the population for the development of production forces, the solution of intersectorial problems, the development of the system of comprehensive social services, the spiritual growth of the population, and the equalization of living conditions in the municipalities; to rally the scientific and technical potential of the oblast in solving problems of technological renovation;

2. To direct and organize the activities of municipalities in the implementation of the policy of the state and the implementation of national assignments: integration processes on the oblast level for the economic, social, spiritual and scientific and technical developments; development of the individual and collective labor activities in the production of goods and services for the population and activities related to the self-satisfaction of the oblast population for agricultural and foodstuffs; developing intermunicipal enterprises for the production of goods and services; developing a common construction base; ensuring the preservation and reproduction of the environments; training and upgrading cadre skills;

3. Organized training and skill improvement of leading cadres in the people's councils.

Article 19. (1) The oblast people's council is responsible for the development of production forces and for determining the priority areas of development of the economy, integrating the possibilities and resources of municipalities for efficient economic, scientific and technical, social and spiritual development and for equalizing living conditions among municipalities.

(2) Delinquent officials of the oblast people's council will bear the stipulated property, administrative-penal and disciplinary responsibility for damages caused to municipalities and self-governing organizations as a result of their actions or inactions.

Article 20. The maintenance of the oblast people's council will be provided by the state budget as stipulated by the law.

Article 21. The oblast people's councils may revoke and halt illegal acts taken by the municipal people's councils.

## Regulation on Prices

### Chapter 1

#### General Stipulations

Article 1. The present regulation will pertain to the application of the principles, procedure and needs of setting, recording, agreeing and amending prices of goods and services as stipulated in the Regulation on Economic Activities, and matters related to price and price-setting controls.

Article 2. (1) The level, correlation and dynamics of prices will be the object of state guidance, regulation and control.

(2) The Council of Minister's and other state agencies will set the prices of goods and services in accordance with lists as per Appendixes Nos 1, 2, 3, and 4.

(3) The Ministry of the Economy and Planning will:

1. Issue regulations and methodical instructions related to prices and price setting;

2. Set or record prices of goods and services within its range of competence;

3. Organize, methodically guide and provide specialized control over prices and price setting;

4. Settle disputes related to price setting.

(4) Ministries, other departments and executive committees of people's councils will:

1. Determine or register prices and settle disputes on price setting within their range of competence;

2. Help to improve the work of commodity producing enterprises in the area of prices and price setting;

3. Control the application of said prices.

Article 3. Economic trusts and associations will implement price and price-setting functions as stipulated by the enterprises and, respectively, their principal members. Such functions may apply to the following:

1. Specific conditions and regulations governing the setting and contracting of prices for intermediary and cooperated goods produced by the enterprises;

2. Expert evaluations concerning price ceilings of new and improved goods and services;

3. Methodical aid and information support in price setting and application.

## Chapter 2

### Price Setting

Article 4. (1) In the setting of wholesale prices, the enterprises will study the condition and trends of the level and correlation of prices at the international markets; they will gather, process and document the necessary information and bear the responsibility for the substantiation of the prices they suggest. Their recommendations will be based on the following:

1. Contract prices for the current and following year in convertible rubles taking into consideration the extent to which the contracting of such prices has made use of prices prevailing on the international markets in accordance with CEMA principals;

2. The prices set during the previous year or prices contracted for the current year in convertible currency on representative markets under standard marketing and payment conditions. Such prices will be amended in accordance with short-term circumstantial factors and practiced discriminatory measures.

(2) F.o.b. prices at our border in foreign exchange leva (convertible currency based on the exchange rate) or in transferable rubles will be converted into leva in accordance with stipulated exchange rates.

(3) In the case of items not destined for export representative international prices of similar items will be used or else the wholesale price will be correlated with the prices of similar domestic goods. Differences in quality will be taken into consideration by comparing such items with commodities produced by two or three leading and competing companies in the world; should such information be unavailable, the comparison will be based on two or three similar items, exported or imported. The choice, classification and the definition of the values of comparison indicators will be based on the importance

of such commodities in terms of the competitiveness of goods on the basis of corresponding standardization documents, test results, consumer surveys, etc.

(4) The international markets considered representative will be those in which the country sells most of its respective exported commodity (group of commodities) as well as markets at which small quantities are sold but possibilities for achieving favorable market positions become likely. They will be determined in terms of areas and countries with the methodical help of the Ministry of Foreign Economic Relations and in accordance with the coordinated market policy of economic trusts and associations.

(5) A price of similar goods sold at the main international commodity markets at which significant deals are made under standard commercial conditions (payments, franking, transportation, seasonal sales and so on) will be considered representative. To this effect the information on prices based on free deals, stock exchange quotations, bidding prices, and others will be used.

Article 5. The setting of prices of essentially new goods produced for the first time in the country will take place at the time the designing and manufacturing of such items is assigned, on the basis of the technical and economic assignment and the contractual (licensed) technical, economic and operational parameters have been defined. It is at that stage that the maximal price, production cost and economic results for the producer and consumer of the new item will be determined. The following will be used as a basis:

1. The representative international price of the highest quality models produced by leading companies throughout the world and forecasts for their changes at the time our commodity is offered on the market;

2. The price of the foreign commodity if the production is based on a license;

3. The actual procurement price of a similar imported item which will be replaced by the newly developed one.

Article 6. In setting wholesale prices of improved and complementing goods and services, the stipulations of the price per unit of decisive or basic parameter (capacity, productivity, power-intensiveness, reliability, useful substance etc.) must be maintained or reduced.

Article 7. (1) The prices of scientific research and technological products to be mastered for production purposes will be agreed upon on the basis of the indicators stipulated in the technical-economic assignment.

(2) In the application of finished scientific research and technological products, the price and transfer relations will be settled on the basis of a contract for each subsequent development, ensuring systematic price reductions.

(3) In achieving results different from the indicators stipulated in the technical and economic assignment, the control may stipulate a higher or, correspondingly, lower price or else the product may be rejected.

Article 8. Imported raw materials, materials and complementing items, machines and equipment will be marketed on the basis of the leva equivalency of their purchase price, to which will be added taxes, fees, transportation and other delivery expenditures in accordance with Appendix No 5.

Article 9. (1) In setting up wholesale prices of complementing and semi-finished goods, producing and consuming enterprises will reciprocally establish the relative importance and share of the individual assemblies and parts in terms of upgrading the quality indicators of the finished item, reducing its production cost and reaching a higher foreign trade price.

(2) The following will be considered complementary and intermediary:

1. Parts used in the production of assemblies and units;

2. Parts, assemblies and units used in the production of finished goods;

3. Raw materials, materials and semi-finished goods for which the consumer has required special processing and which have a specialized purpose in the production of specific parts, assemblies and finished goods;

4. Services related to the technological sequence of a specific production process: the further processing of parts, assemblies, units, semi-finished goods and materials used in the production of finished items.

(3) If an item, assembly or part produced by one enterprise is transferred to another for further processing and subsequently returned, the cost of the service only will be changed.

(4) Differences which develop in price setting of complementing and intermediary items will be settled by the managers of the respective economic trusts and associations or, should no agreement be reached, by the state price-setting authorities.

Article 10. (1) Retail prices of goods and services for the population will be set in accordance with the stipulations of social policy, taking the following into consideration:

1. The corresponding maximal wholesale prices, the maximal amounts of trade discounts, markups and additions for the turnover tax and excise taxes;

2. The level of retail prices of similar goods and services as defined by the Council of Ministers or other state agencies;

3. The condition of the market and the importance of the suggested goods and services needed to satisfy solvent consumer demand.

(2) Retail prices of new and improved varieties of goods and services will be set in correlation with the prices and quality of already produced similar goods and services for the population. The upper limit of such prices will be set according to the stipulation that for equal quality the price will be equal or lower. The same procedure will apply also in terms of commodities imported on the basis of bartering operations.

Article 11. (1) The prices of goods and services (wholesale and retail) will be differentiated according to quality in accordance with standardization documents.

(2) The basic price will be based on the highest quality. It will be gradually lowered for each lower level of quality by no less than 10 percent.

(3) Price differentiations for machines, equipment, apparatus and installations and complementary goods will be based on the technical and economic indicators of the item.

(4) The prices of commodities the quality of which is based on the content of the basic useful agent (component) will be differentiated on the basis of allowances.

(5) The prices of secondary energy, raw material and other resources will be set on the basis of a correlation with prices of regular items, taking into consideration consumer results and encouraging their preservation, collection and utilization.

Article 12. (1) Draft wholesale and retail prices will be coordinated with the main consumers.

(2) The main consumers in the sense of this regulation will be enterprises and organizations which order the production of an item or contract for no less than 60 percent of its total output.

(3) Retail prices will be coordinated with the trade organizations, taking into consideration the recommendations of the Bulgarian Trade Unions and the consumer councils of the Fatherland Front.

(4) Enterprises will document in an appropriate form the results of the coordination of prices (minutes, written confirmations or motivated refusals).

Article 13. The documentation used in price setting will be processed and filed by the enterprises in accordance with the procedure governing the filing of accountability documentation. It must be made available for purposes of investigations, comparative analyses, etc.

### Chapter 3

#### Price Registration and Contracting

Article 14. (1) Wholesale and retail prices will be recorded by the competent state authorities in accordance with Appendix No 6.

(2) In recording prices, commodity producing enterprises will submit to the respective state authorities a substantiation, a document of coordination with the consumers and an analytical form as shown in Appendixes Nos 7, 8, and 9.

(3) In the case of mastering and producing a commodity already mastered and offered on the market by another enterprise, recording a higher maximal price will be allowed only with confirmed superiority in terms of quality and trade-economic conditions.

(4) The prices of assemblies, parts and services in cooperated procurements will be recorded only in the case of disagreements settled by state authorities.

Article 15. (1) The specific prices at which commodities will be sold will be agreed upon between commodity producers and consumers on the basis of reciprocal information concerning:

1. The type, nature and purpose of the item or samples, models, blueprints and test results;
2. Indicators of the technical standard, quality and price, compared with a similar item produced and sold by leading and competing foreign firms;
3. The economic effect of the use of the specific items;
4. Specific trade and economic conditions, such as the size of the order, the seasonal nature of the item, the time element, delivery conditions (fees, wrapping, shipping) guarantees, servicing and procurement of spare parts, grading, and others.

(2) Differences which may appear in the course of price setting and contracting must be settled by:

1. The Ministry of Economy and Planning;
2. Ministries and executive committees of people's councils, in the case of prices the settling of which is within their competence.

Article 16. Enterprises may contract for markups above maximal wholesale prices not to exceed 30 percent. Such markups are paid by the consumers, should they request higher specifications, as follows:

1. Specifications different from the indicators stipulated in the standardization documents, including custom-made items;

2. Faster execution of the order (express, special, etc.).

Article 17. The lowering of maximal prices and discounts for morally obsolete, unfashionable or substandard goods, in the sense of Article 46 of the Regulation on Economic Activities (PSD) are allowed in the following cases:

1. For goods produced after the announced deadline for stopping the production of such items;
2. For quantities produced above the stipulated amounts during the period of restricting the production of said items unless already contracted for export purposes;
3. In the case of substantiated and systematic complaints or reduced consumer demand.

### Chapter 4

#### Specific Stipulations on Setting the Prices of Some Goods and Services

##### Section I

#### Luxury, Delicatessen, and Trademark Goods

Article 18. (1) Retail prices of luxury, delicatessen and trademark goods may be as much as 50 percent higher than those of similar mass produced goods and services, based on quality. For original goods and unique specimens, acknowledged as such by artistic expert-technical councils or specialized state commissions, the contracting of higher prices and a higher ratio may be allowed.

(2) The parameters of luxury, delicatessen and trademark goods will be determined on the basis of standardization documents, approved and correspondingly recorded by the Committee on Quality.

Article 19. (1) The following will be classified as luxury goods:

1. Goods produced on the basis of selected and high-quality materials or made of scarce natural resources, such as precious metals and their alloys, natural or highly improved fabrics and yarns, precious stones, selected marbles, precious furs with a high degree of processing, original volatile natural and artificial oils, heavy natural and rare timber and timber products, high-grade crystals, original glassworks and other similar items;
2. Goods of original design, with inlays, ornamentation, wood cuts, lace, plating and other artistic elements as essential parts of the item, upgrading its design, artistic-aesthetic shape, refinement, elegance, etc.;
3. Goods the quality, artistic-aesthetic shape and technical standards of which are at least on the level of similar goods produced by leading firms, design bureaus, and so on, in the developed countries.

(2) Arts and crafts works produced in limited editions and small-series items with high artistic-aesthetic and functional features (boutique).

(3) The prices of luxury clothing, shoes, knitted goods and other similar items consistent with the requirements of a new fashion line will apply only for the season or period for which they have been designed. Such prices will be subsequently reduced in accordance with the stipulations of Chapter 5 of this regulation.

Article 20. The term *delicatessen* will apply to foodstuffs produced on the basis of original technology or license, made of high-grade local and imported natural, tropical or rare raw materials and materials.

Article 21. The classification of trademark goods will apply to items produced on the basis of original technology and recipes using raw materials coming from a specific geographic area and having specific consumer qualities, or else introduced on the basis of licensed prototypes developed by leading producers throughout the world.

Article 22. (1) Luxury, trademark and *delicatessen* goods will be offered and sold only in functional, artistically aesthetic and original consumer packaging.

(2) Some types of services of high quality, high standards, convenience to the customers and other specific conditions may be classified as luxury services.

## Section II

### Spare Parts, Single Orders, and Services

Article 23. (1) Wholesale and retail prices of parts, assemblies and units sold as spare parts may be raised by no more than 30 percent compared with prices set as per Chapter 2 of the present regulation. In the case of low-cost (under 5 leva) and newly developed spare parts the production of which either reduces or stops imports, as well as parts to be used for goods no longer in production, higher prices may be agreed upon but not to exceed 50 percent.

(2) Items as per Appendix No 10 of the present regulation will not be considered spare parts in terms of price setting.

(3) Prices of worn out and rebuilt spare parts will be based on contracting between enterprises in correlation with the prices of new spare parts.

Article 24. The prices of goods for industrial use, produced on the basis of one-time orders and on nonstandardized equipment will be set in correlation with maximal wholesale prices of similar goods, including imported items. They may be higher than the prices of serially produced goods, according to the comprehensive results benefiting consumers.

Article 25. Retail prices of goods produced on the basis of one-time orders for use by the population or for equipping socialist organizations may be no more than 30 percent higher than retail prices of similar goods sold in stores, taking into consideration the cost and quality of materials.

Article 26. (1) Prices of basic and current repairs and services will be set in accordance with:

1. Improvements in the operational qualities of items, the results benefiting consumers, the length of guaranteed repairs and convenience (comfort) for the consumer;

2. The cost of processing, consistent with the latest requirements concerning the standard of the organization and technology of such processing;

3. The cost of invested raw materials, materials and spare parts.

(2) Retail prices for population services will exclude the cost of materials and spare parts, which will be paid for separately, on the basis of retail prices. In some services the cost of materials may be included in the price (barber shops, beauty salons, dry cleaning, laundering, dyeing, etc.).

(3) Service prices will be differentiated on the basis of the form, location, time and means of delivery (standard, fast, express, subscription, at the store or at the home of the customer), the quality of performance and the length of the guarantee. The differentiation may not exceed 50 percent of the maximal price of standard services provided in workshops.

(4) The categorizing of workshops for individual services, based on the type and conditions of providing the service, will be made by the executive committees of the municipal people's councils.

Article 27. Prices of repairs, single orders and services provided on the basis of individual labor activity will be agreed upon in accordance with the present regulation and may not exceed prices charged by enterprises.

## Section III

### Agriculture

Article 28. The purchase prices of agricultural commodities will be set by taking additionally into consideration:

1. Deviations from prices charged at international markets, based on customs fees, compensation fees, subsidies, etc.;

2. Need for the production of agricultural commodities under relatively worst natural-climatic conditions;

3. Stipulations relative to quality, procurement and packaging of goods.

Article 29. (1) The purchase prices for basic agricultural commodities, set by the state authorities, will be considered maximal and used by all producing and purchasing organizations. All other agricultural commodities will be marketed on the basis of contractual prices.

(2) In order to encourage the production of agricultural commodities, bonuses or markups paid out of the state budget, differentiated in terms of natural units, will be added to the contracted purchase prices charged by brigades and APK, as follows:

1. Bonuses for quantities sold to the purchasing organizations over and above the average annual volume for the preceding 5 years;

2. Markups per unit of basic agricultural commodities, purchased by the public farms working in adverse (essentially mountainous and semi-mountainous) circumstances.

(3) The list of products and the specific amounts of bonuses and markups will be set by the Ministry of the Economy and Planning, as suggested by the National Agroindustrial Union Association. They will not be reflected in the material costs of processing enterprises.

Article 30. (1) In the case of farm produce sold at cooperative markets, commission and firm stores of the APK, retail prices may be no more than 50 percent higher than the prices set for the trade network; they may be no more than 80 percent higher in the specialized stores selling higher quality fruits and vegetables.

(2) Public catering organizations may contract for purchase prices higher than those charged at cooperative markets, within the limits of the prices of the goods produced by public catering institutions of the respective category.

#### Section IV

##### Transportation

Article 31. (1) Prices for the transportation and processing of commodities will be set in accordance with the stipulations of Chapter 2 of the present regulation by:

1. Ensuring a proper correlation with the overall level of wholesale prices in the country;

2. Maintaining an optimal correlation between the prices of the various types of transportation and the efficiency of the transportation system as a whole.

(2) Transportation organizations may contract with shippers for prices which may be no more than 30 percent higher than the maximal for the following: comprehensive services in delivering the goods to the area stipulated by the customer; granting transportation and other facilities for temporary use related to commodity processing and hauling; hauling freight with shuttle trains; hauling freight with coupled groups of freight cars destined for different railroad stations; working under particularly difficult terrain conditions, etc.

Article 32. The stipulated or registered prices of specialized transportation organizations will apply to all other performers of transportation services.

#### Section V

##### Commercial Activities

Article 33. (1) Trade discounts, markups and commissions will be set also in accordance with the following stipulations:

1. Price limits will be set up by the Ministry of Economy and Planning in physical units or, should this prove to be impossible, in percentage of prices;

2. The items will be for enterprises in charge of the marketing of the goods or which organize their procurements on an independent basis.

(2) The specific amount of trade discounts, markups and commissions will be agreed upon among the organizations participating in the movement of the goods, within the limits and depending on their actual participation in the procurement, storing and delivery of the goods to the commercial projects or production subdivisions.

(3) Higher trade discounts or markups depending on specifically agreed upon higher prices, may be applied in the case of luxury, delicatessen and trademark goods and spare parts.

(4) Should commodity producers market their goods themselves, they will benefit from the full amount of trade discounts (markups). They may also apply greater discounts (markups) than the stipulated limits, in accordance with their economic interests.

Article 34. In the case of goods sold in settlements with a population of under 1,000, and in border, and difficult-access mountainous and high mountainous areas, discounts may be as much as 50 percent higher, with a corresponding reduction in the turnover tax.

Article 35. Prices of prepared food will be based on the retail price of the products used and the legal markup for physical unit and marketing based on the category of the enterprise.



Article 36. (1) Retail prices of imported commodities, excluding goods based on barter operations, will be set by the importing enterprises, taking into consideration the delivery price, f.o.b. at the Bulgarian border, customs tariffs, fees, turnover taxes and excise fees, maximal trade discounts and the correlation between supply and demand.

(2) The prices of imported consumer goods sold for foreign exchange will be set on the basis of rates approved by the Ministry of Economy and Planning.

(3) The prices of imported goods sold exclusively in stores engaged in trade-propaganda activities of cultural-information centers in the Bulgarian People's Republic will be based on rates coordinated with the competent state authorities.

(4) The foreign trade organizations will contract for commission payments for exports and exports of commodity groups, registered with the Ministry of Foreign Economic Relations and, for tourist organizations, the Bulgarian Association for Tourism and Recreation.

## Section VI

### Investments

Article 37. (1) The maximal prices per physical unit, by type of completed construction projects, will apply in the investment process: production or operational capacity, developed or useful area, linear meter, cubic meter, number of installations, etc. It is within the limits of these prices that the prices per unit of physical indicators for finished intermediary products will apply: pre-design studies; technical-economic assignments; technical and blueprint documents; parts, structures and elements; functionally separate items (subprojects or stages); buildings, equipment and services of independent functional significance.

(2) Enterprises engaged in study, designing and construction will set prices per physical unit in accordance with the stipulations of Chapter 2 of the present regulation, taking also into consideration:

1. Parameters and technological characteristics, as stipulated in construction standards, sectorial rates, regulations, conditions and requirements;

2. Requirements concerning optimal design, architectural, structural and volume-planning solutions and their consideration with the functional characteristics of the projects, the application of a contemporary organization of the production process and possibilities for new developments in the course of their construction and operation;

3. Current price levels and anticipated changes.

(3) Price differentiations in the investment process will be based on standards governing quality, deadlines and performance conditions.

(4) Prices set up in accordance with the preceding paragraphs will be registered with the state pricing authorities and applied as follows:

1. In drafting price catalogues (offers) and enterprise bids;

2. Setting initial (maximum) prices of specific projects;

3. Assessing the efficiency of the investment process;

4. In planning, financing, crediting and supervising the pricing of studies designs and projects.

Article 38. (1) The prices of specific construction products will be agreed upon in assigning the construction or purchasing of a project on the basis of the general cost of the technical-economic assignment for capital construction or the work plan.

(2) The price set as per the preceding paragraph may not exceed the initial (maximal) price set in accordance with prices per physical unit, except for bids or additional demands made by the purchaser.

(3) Prices of specific survey and engineering products will be contracted on the basis of their maximal prices within the limits of the price for the corresponding construction project, taking into consideration the additional results benefiting the consumer.

Article 39. (1) In the purchase of housing the price will be agreed upon within the limits of the basic price per square meter, as approved by the Council of Ministers, for the respective category (housing standard), in accordance with the size and the applicable legal stipulations governing the purchasing and sale of real estate.

(2) The contracted price per square meter of residential area may exceed the basic price for a given standard if the seller is required to meet the specific requirements of the purchaser. The sale of housing with a lesser degree of readiness than the one stipulated in the standard is allowed, in which case price discounts will be agreed upon between purchaser and seller.

Article 40. (1) Within the limits of prices per physical unit, the enterprises will set prices for architectural-construction, installation, planning, surveying and other types of works and services subject to price rating. The prices will be recorded with the Construction and Construction Industry Association. They will be used as intermediary and will be considered maximal for prices on the basis of which works and services are performed for end industrial or individual use.

(2) In accordance with the preceding paragraph, the enterprises will set internal clearing prices on the basis of which the turnover among their individual units will take place. Such prices may apply also in cases of transfers among enterprises jointly participating in the construction of a specific construction project, providing that the economic autonomy of the enterprises is not violated. Such prices will not be recorded by the state authorities and will be based on the rate-setting basis of enterprises. The sum of sales in internal trade based on internal clearing prices may not exceed the sum of the maximal price (including intermediary prices).

Article 41. Based on the suggestion of the Construction and Construction Industry Association, the Committee for the Territorial and Settlement Structure or the executive committees of the people's councils, the Ministry of Economy and Planning may record uniform maximal prices for the country per physical unit for completed study, design and construction projects.

Article 42. In the case of building repairs and reconstructions, the prices of design, construction, installation and other projects and services may be increased by no more than 50 percent compared with maximal prices, excluding the cost of materials.

## Chapter 5

### Price Changes

Article 43. (1) The prices of goods and services will be dynamic and will be promptly made consistent with lasting changes in the conditions governing their setting.

(2) Changes (increases or reductions) in prices will be based on the initiative of enterprises—commodity producers or consumers, state authorities and public organizations. Such changes will be motivated on the basis of objective information on the reasons which make them necessary.

(3) Price changes of goods and services for the population will be consistent with the growth of the real income, standards and structure of consumption. Changes in the prices of goods and services set by the Council of Ministers may be made only with its permission.

Article 44. The state price and statistical authorities will organize the statistical accountability, both total and differentiated by commodity and commodity group on price conditions and dynamics. They will draft and periodically publish price indexes of goods and services in the country, analyze them and suggest or undertake the necessary steps to eliminate any adverse trends which may appear.

Article 45. (1) Periodical and seasonal price reductions will be mandatory in the following cases:

1. The items are included in programs for limiting or stopping production;

2. A durable decline in consumer demand;

3. The commodities have become morally obsolete, unfashionable and have lost their commercial appearance or else their time of sale and season have elapsed. The sale of foodstuffs in accordance with this procedure will take place by permission of the respective authority of the Ministry of Public Health and Social Welfare.

(2) Raising the level of retail prices of a given commodity as the result of misuses concerning the varietal structure is prohibited. Enterprises may not refuse contracting, reducing or stopping the production of goods in demand sold at lower prices or commodities whose prices have been set by the state authorities. Surplus profits from raising prices for such reasons will be considered state budget revenue and paid by the producing enterprises.

Article 46. The state price-setting authorities will change prices in the following cases:

1. As a result of investigations which establish prices set in violation of the stipulations of the present regulation;

2. On the basis of their own studies and conclusions of statistical authorities, a correlation has been established of prices which hinder scientific and technical progress or the unsubstantiated dynamics of which must be restricted.

## Chapter 6

### Price Publication and Consumer Guarantees

Article 47. (1) Prices which have been properly set, recorded or amended will be announced by the enterprises to the consumers. To this effect they will publish and promptly update price catalogues for the entire variety of the goods they are offering.

(2) Goods for use on the domestic market must be labeled. The labeling will be done by the producing enterprises; the labeling of imported goods will be done by domestic trade enterprises. The labels will provide the consumers with the following information: specific price; type of materials used; quality; number of the standardization documents; admissible plus or minus deviations (as stipulated in the standardization documents for some goods); means of storage, use and maintenance; production date and fitness expiration date. Foodstuffs will also include information on the products used and type of legally permitted substitutes, content of basic nutritive substances, calories, etc.

(3) The prices of goods or services must be clearly accessible to the citizens in stores, public catering institutions, service workshops and cooperative markets. This procedure is mandatory also for citizens engaged in individual labor activity.

(4) Should the nature of a commodity make labeling impossible, the respective competent state authorities will issue mandatory instructions on the means of providing the necessary information.

(5) Managers of enterprises, including stores, must grant to consumers on demand additional information of the quality and other consumer qualities of the goods.

(6) In the case of periodical, seasonal and current price changes, the enterprises must mandatorily make public the new prices in a permanent fashion.

Article 48. (1) Consumers who have paid for goods and services will be issued a document (cash receipt, bill of sale, etc.), clearly indicating the type, quantity, price and total sum of purchases (services).

(2) Producing enterprises which market goods and services on the basis of wholesale prices will issue receipts which will mandatorily include the unit price, price substantiation, nomenclature or catalogue number, full name of the commodity or service, as well as complementing items if such are included in the price.

## Chapter 7

### Control and Liability

Article 49. (1) The state price authorities will organize and provide specialized control over prices and price setting, as part of the unified national control system.

(2) Control over the observance of prices and price setting for goods and services for the population will be carried out on a broad public basis with the participation of the Bulgarian Trade Unions, the Fatherland Front, the Dimitrov Communist Youth Union and the population.

(3) Enterprise managers and officials will provide internal control on the accurate setting and application of prices, take the necessary steps to prevent violations and be held liable for the condition of the state price discipline.

(4) Collective enterprise management authorities will systematically discuss the condition of price and price-setting discipline and the results of the investigations conducted by the control authorities and take steps to eliminate violations.

Article 50. (1) The state price and price-setting authorities will control:

1. The observance of the principles stipulated in the PSD and the present regulation, and the competence, procedure and means of price setting, recording, contracting and amending;

2. The accuracy of the information governing price setting (prices achieved in exports, selection of similar items and foreign markets, comparisons of qualities and technical standards of items with those of similar goods, regulation production costs and others);

3. Substantiated connection between prices of complementing and intermediary items and those of the end product;

4. Observance of the stipulated, recorded or contracted prices and conditions for their application;

5. Consistency between prices and the quality, completeness, technologies, prescriptions and guarantees and, for luxury, delicatessen and trademark goods the parameters stipulated in the standardization documents and the present regulation;

6. The publicizing of prices and the observance of price limits for consumers.

(2) In the course of their control functions, the state authorities in charge of prices and control of economic activities will:

1. Order the elimination of any violations within a stipulated time;

2. Halt the use of illegal prices;

3. Assign the review of prices which are in violation of the principles, the competence, procedure and means of setting, recording and contracting;

4. Take efficient steps and actively contribute to guaranteeing consumer rights;

5. Analyze results of the application of regulations relative to prices and price setting and, if necessary, suggest their improvement.

(3) The state price authorities have the following rights:

1. To demand the necessary information (references, reports, information, clarifications, etc.) from managers and officials of enterprises under their control;

2. To hire outside specialists to study and issue conclusions and opinions and to participate in investigations;

3. To order the refund of illegal income to the victimized organizations and individuals if they are known and if the statute of limitations has not expired;

4. To order that illegal income be paid to the state budget as revenue if the victimized organizations and individuals are unknown or else are known but the statute of limitations has expired and no payment has been made under the stipulations of Article 118 of the Law on Obligations and Contracts;

5. To order the payment of interest on the amounts of illegal income earned;

6. To impose economic sanctions (fines) to commodity producers and commercial organizations in an amount double the illegal income earned and, for systematic and gross violations, to the amount of the income earned from specific goods and services at prices set and agreed upon in violation of stipulations of the PSD and the present regulation;

7. To make the results of control activities public.

(4) Should the control authorities of people's councils establish violations, the illegally earned income will be considered as their own budget revenue.

(5) In eliminating price and price-setting violations and settling problems of illegally earned income, the head of the state authority which has established the violation or his representative may issue an order not subject to judicial appeal.

(6) Income earned as the difference between the price charged over and above the properly stipulated one or the one stipulated by the state authorities will be considered illegal.

Article 51. (1) Individuals who have committed or allowed the commission of violations of state price and price-setting discipline will be punished with fines in accordance with Article 32 of the Law on Administrative Violations and Penalties, unless subject to a more severe punishment.

(2) Violations of price and price-setting state discipline will be established on the basis of legal documents drawn up by state and public control authorities in accordance with their legal competence.

(3) Penal resolutions will be issued by ministers, managers of other departments and chairmen of executive committees of people's councils or their representatives.

(4) The determination of violations and the promulgation, appeal and execution of penal resolutions will be based on the stipulations of the Law on Administrative Violations and Penalties.

Article 52. (1) The state price authorities will be responsible for observing the stipulations of the PSD and the present regulation. They have the following obligations:

1. To introduce and apply modern ways and means for the study and control of price-setting processes;

2. To follow and report on adverse trends which have appeared within the price-setting system and to make suggestions for and organize their elimination;

3. Promptly to expose violations and their perpetrators and to take the necessary punitive measures.

(2) Officials who are members of the state price authorities and who fail to fulfill their official obligations and to exert proper control leading to the exposure of price violations and violators will bear disciplinary and administrative-penal liability.

Article 53. In the case of a proven crime the materials will be mandatorily submitted to the authorities of the prosecution for the criminal indictment of the culprits.

#### Concluding Stipulations

- 1. The present regulation is issued on the basis of Article 47 of the Regulation on Economic Activities and will be effective as of 1 January 1988.

- 2. The present regulation cancels:

1. Regulation No 6 on the procedure and documentation governing price justification or setting (DV, No 86, 1982);

2. Instruction No 8 on price and price-setting control (DV, No 88, 1982).

- 3. Instructions on the resolution of questions which appear of the application of the present regulation will be issued by the minister of economy and planning.

05003

#### CZECHOSLOVAKIA

**Catholic Church Presses for Religious Freedom**  
23000056 Bonn *RHEINISCHER MERKUR* in German  
19 Feb 88 p 22

[Article by Monika Prangemeier: "Hope for a Small Prague Spring"]

[Text] There has been a steady stream of Western statesmen and high-ranking representatives of the Vatican in the CSSR in recent weeks. West German Foreign Minister Hans Dietrich Genscher and West German Chancellor Helmut Kohl visited the primate of the Catholic Church, Archbishop Frantisek Tomasek, to discuss important program points. Their clear demands for the preservation of human rights and the observance of religious freedom correspond to the admonitions of the Vatican, which likewise sent a special delegation led by Archbishop Francesco Colasuonno to the communist

country for 2 weeks. And John Whitehead, deputy American secretary of state, also demanded complete religious freedom in his latest visit to Prague.

For the Western statesmen, the Catholic Church is the only functioning opposition in the CSSR. With their clear support, they give strength to the oppressed Christians. Not least, the action begun last week to collect signatures for the granting of the religious freedom anchored in the constitution may well achieve its impact through these visits. Meanwhile, proceeding from an initiative by Moravian Catholics, about 200,000 citizens have signed a 31-point petition. Despite attempts by the authorities to hinder it, the action has spread through the entire country like wildfire.

The 89-year-old primate is spearheading the action. Despite his illness, he recently received Slovakian believers and assured them that with this initiative they were merely making use of their right embodied in the constitution. The cardinal pointed out that he has repeatedly written the relevant authorities asking that they protect religious freedom but has never received an answer to his appeals. "If the voice of the cardinal is not heard, and I have only a single voice, then you believers must raise your voices," he said. It appears that Tomasek, with a view to his advanced age, wanted finally to bring about a decision and to force the government to act.

With unprecedented arrogance, Czechoslovak authorities have for decades been ignoring their own constitution and the wishes of the population of 15.5 million, of which 11 million are Christians. As the spearhead of the opposition, Cardinal Tomasek is a thorn in their side but they do not dare attack the internationally renowned church leader. For this reason, the aged primate is now throwing himself into the struggle with his last strength, as it were, so that he, as a good shepherd, can solve the problems of his flock.

And there are many problems, as is apparent from the 31-point petition. At the top of the list is the problem of the remanning of dioceses, some of which have been abandoned for 25 years. Overall 10 of the 13 dioceses are vacant, because the state and church are not able to agree on candidates. The government is insisting that only priests acceptable to it be recommended, preferably members of "Pacem in Terris," the peace priest movement founded by the Communist Party.

To be sure, Vladimir Janku, head of the State Ecclesiastical Office of the CSSR, rejected this charge energetically, asserting, on the contrary, that the Vatican is discriminating against the peace priests. The fact is, however, that the argument between the government and the church has reached an impasse on this point. For the Vatican, this association is a political organization that the clergy cannot belong to, according to a 1982 regulation. In this connection, the association of priests itself declares: "The Vatican's decree is general in nature and has nothing to do with the situation in the CSSR. The

association of priests is, however, a voluntary organization that the state protects, because it sees in it a guarantee that Catholic forces will no longer be used as a political means against the state itself."

This distortion of the facts is unacceptable for the Vatican. "Pacem in Terris" is, and this is the view of Cardinal Tomasek as well, a political association that enables the state to bring the church completely under its control. The majority of the population also rejects these so-called peace priests, because it knows very well that many of them are simultaneously working as party informers and are, as it were, the extended arm of the government. So that it can at least preserve a little latitude for the church, the Vatican has in most cases preferred to leave bishoprics vacant than to fill them with members of "Pacem in Terris."

In the last 25 years, this situation has led to the rise of an underground church led by secret bishops. Meanwhile, this grouping has developed into such a strong force that even the government has an interest in reaching an agreement with the Vatican on the remanning of the bishoprics. The more the official church is suppressed, the stronger the underground church becomes.

To allow a religious freedom that is really unacceptable for the communist state, quite a few other difficulties have to be overcome. Thus, in their petition, the faithful are demanding the free appointment of parsons by the competent bishop and unhindered access of all interested persons to the study of theology as well as the introduction of the Standing Deaconry. Additional demands are the free development of the orders, the authority to establish religious lay movements, the permission to give religious instruction in the churches or parsonages, the appointment of parish councils, the admission of religious publications and the founding of religious publishing houses, freedom from punishment for the production and distribution of religious literature, religious radio broadcasts, and the restitution of improperly confiscated church property. Also, the permission to build new churches and the immediate release of clergy and lay persons sentenced to prison terms for their religious activities. In accordance with these points, the faithful are demanding the repeal of numerous laws that punish religious actions or work.

It is clear from this list of demands alone under what conditions religious life must be practiced in the CSSR. The arrest of priests and lay persons, the loss of work by believers, oppression and persecution of churchgoers, and the discrimination of Christians in social and political life are still part of everyday life in the CSSR. Pope John Paul II also repeatedly criticized the persecution of the church in the CSSR last year and reminded the communist rulers of their duty to protect the freedom of religion guaranteed in the constitution. He sought to strengthen the suffering church through personal messages to Cardinal Tomasek.

The special Vatican delegation did not disclose anything about the results of the talks with government representatives. Cardinal Tomasek told a Western journalist that the negotiations had "until now" not produced any results. And even if a new bishop could be appointed, "there will be no suffragan in Prague," he added. But precisely the aged archbishop is in urgent need of the support of a suffragan.

Despite these rather gloomy forecasts, the diplomatic activities of the Vatican and the numerous Western statesmen do give cause for hope. And the united voice of 200,000 believers may also bring about a small Prague spring for the Catholic Church after all.

9746

## POLAND

### Koszalin PZPR Plenum Explores Cultural Financing, Inflation Issues

26000179c Warsaw TRYBUNA LUDU in Polish  
11 Jan 88 pp 1, 2

[Article by Michal Misiorny: "On Culture Without Euphoria, Without Panic"]

[Excerpts] When Koszalin became a provincial capital in 1950, it was a destroyed city, inhabited by 20,000-plus people. Now, after almost 40 years, it has 100,000 people and is a lively urban center and regional cultural center with its own theater and philharmonic, well developed artistic training, a gallery office, a major fine arts community and a rather large literary circle.

### Not Just the Peaks

The plenary session of the PZPR Provincial Committee, devoted to issues of cultural life in the region, focused its attention mainly on what we call measuring the distance between the peaks and the intensity of public participation in culture and on examining the impact on the public's cultural life by the reality first of the crisis and then of reform. Preparations for the sessions were made in a very businesslike way; with the help of sociologists from the Koszalin Center for Scientific Research a report was published on participation in culture by employees of plants in the province.

It is a very instructive document. Because the balance of free time has dwindled significantly (nearly every third person surveyed is working a second job, and every third person is seeking additional sources of income), the culture of free time in the case of a rather large number of people—especially working women—has become the culture of standing in line. And this is perhaps the most painful—the plants do not attach a great deal of importance to their cultural and educational obligations.

The inflationary gallopade of prices has also had a major impact on the decrease in participation in culture by broader masses of the public.

### Education for Culture

The Koszalin research was merely a survey, so it is not 100 percent representative, but it does say something about the real situation. It also suggests that an even bigger role in spreading culture and molding lasting habits of association with art falls to traditional institutions, such as the schools (preparation for participation, forming habits, etc.), libraries, cultural houses and centers that are equipped in a modern way and intelligently run, and so on. And this can vary: for example, the schools do a great deal to develop amateur creativity (which finds expression in the annual, impressive "Confrontations," with trophies in the form of gold, silver and bronze lyres) but less to arouse healthy, lasting cultural snobbery.

### Realistic Conclusions

A well prepared plenum, interesting discussion, realistic conclusions: neither panicky nor euphoric. As PZPR Central Committee secretary Andrzej Wasilewski noted at this session, one can see that the world of cultural creators and activists is gradually turning away from its former custom of relying on the center and waiting for directives and funds; that in its place the conviction is growing that today a great deal more depends on the initiative and inventiveness of those directly interested. This conviction is almost another extreme of excessive pessimism associated with prospects for cultural and artistic life during the second stage of economic reform, but this pessimism—as the secretary said in his speech—is not unique to Koszalin.

The system of financial shelters for culture—to a large extent independent of inflationary phenomena—exists and will remain, it will ensure breathing space for culture and the opportunity for it to develop. But there are new questions being raised by reality, such as, is it worthwhile to shelter everything? Are too many funds still being directed toward maintaining the traditions of ostensible cultural life and too few toward important, though perhaps less effective things, the secretary asked.

And another of the important issues raised by secretary Wasilewski was that of sources for reinforcing the Cultural Development Fund. One of the speakers at the plenum, a quality inspector from "Kazel," noting the meager opportunities for employee participation in cultural life, asked, "Will culture now be based on singing serenades beneath the windows of the newly rich?"

The Koszalin plenum, a segment of which I have presented here, was a valuable experience for the observer. The provincial party organization showed differently, in a more modern way than before, how it perceives its role as the inspirer of change and growth, by activating groups, institutions, administrative bodies, by suggesting

directions for action. Also new is the awareness that creating conditions favorable to the development of creativity and its dissemination is not all there is, that in these times much more attention should be paid to creating conditions for participation in culture by broad masses of the public. This, after all, is in keeping with the basic conclusions of the party's Tenth Congress.

12776

**Labor Code Changes Promote More Direct Negotiations With Individual Worker**

*26000179b Warsaw TRYBUNA LUDU in Polish  
27 Jan 88 p 2*

[Article by Wanda Zagawa: "Labor Code Closer to Reform"]

[Text] The summer of the past year progressed under the banner of public consultation on proposals for changes in the labor code, that ordinary constitution of the rights and obligations of about 9.5 million professionally active Poles. In December 1987, in accordance with the schedule of duties for the program of execution of the second stage of economic reform, the plan for changes in labor law was sent to the OPZZ for evaluation.

Why was it necessary to undertake work related to amendments in labor law? In the several year history of the document called the labor code there have been six amendments.

None of them insured cohesion with the law on trade unions or laws regulating the operation of state enterprises under conditions of economic reform. It was also necessary to find solutions that would increase the efficiency of the impact of labor law rules on shaping proper work relations and fortifying discipline.

Broad reform of labor law is not a task for one year, nor for one "approach." So the authors of the planned amendments write this in their justification: "Because of the scope and complexity of such legislative projects, work on comprehensive amendments to labor law must be spread out over time and implemented with regard to the level of urgency of specific issues."

The commission named by the president of the Council of Ministers acknowledges as its most urgent tasks: bringing the labor code into compliance with the law on economic reform; adapting the rules of labor law to the principles of economic reform; increasing respect for work and opposing pathological situations in work relations; regulations filling the gaps in labor law and defining more accurately certain rules in the labor code.

In the rules of labor law in force up to now, the form and procedure for cooperation with trade unions in employee affairs is defined in various ways. When union powers

have a peremptory nature, introduction of the "coordination of positions" formula is proposed, while in employee affairs where union powers have an advisory nature, the "post advisory" formula should be introduced.

Another controversial question is with whom should one consult regarding an intention to terminate an employee's work contract or change working and wage conditions—with the plant's union organization or should one appeal to superior union units. The proposals—we have already written about this—aim toward having decisions in employee matters rest with plant directors in cooperation with the boards of plant union organizations, while potential conflicts would be resolved exclusively by the labor courts.

Economic reform establishes the requirement of insuring enterprises independence in employee affairs and autonomy within these limits from superior bodies. So it is necessary to adapt the rules of the labor code as regards control of work safety and hygiene to the new legal circumstances of state enterprises. The amendment proposals also contain legal regulations that are to promote better use of work resources and rationalization of employment.

More specifically, the opportunity to negotiate contracts on the execution of various kinds of work by employees during normal working hours—in various positions and various occupations—by using appropriate wage preferences. If an employee's basic duties do not completely fill his set working hours, the obligation for additional assigned duties would be introduced, as would easing conditions for accepting additional employment.

It is planned that the current requirement for obtaining prior consent of the parent plant will be replaced by a regulation that provides for the employee's being able to accept additional employment after informing the plant of his intention and the plant's failure to object within seven days.

Also, interesting in the amended labor law are the proposals that aim for broader use than previously of group forms of work organization in the workplace. To put it most succinctly, the new rules would standardize this question in a way that is general enough not to limit the freedom of the parties in shaping—in a manner that meets needs—their mutual rights and obligations.

Statistical data and the results of surveys and inspections conducted by the Ministry of Work and Social Affairs, prosecuting bodies and the Main Board of Control point to the need for introducing into the code legal remedies promoting improvement in work discipline. This includes, above all, such social plagues as drunkenness, waste and disregard for public property. Such remedies are being proposed.

12776

**Soviet, Polish Radio-TV Affairs Chairmen Sign Cooperation Agreement**

26000179a Warsaw RZECZPOSPOLITA in Polish  
30-31 Jan 88 pp 1, 2

[Text] On 29 January in Warsaw, speaker of the Sejm and chairman of the National Council of the Society for Polish-Soviet Friendship [TPPR] Roman Malinowski hosted the chairman of the Central Board of the Society for Soviet-Polish Friendship [TPRP] and chairman of the Soviet State Committee for Radio and TV Affairs, Aleksander Aksyonov. During the meeting they touched on problems associated with the development of various forms of cooperation between the TPPR and TPRP under a recently signed protocol for cooperation between the two organizations in 1988. The speaker acquainted the Soviet guest with the work of the Sejm and its activity both in domestic politics and in foreign contacts. Henryk Bednarski, chairman of the TPPR's Main Board, participated in the meeting.

That same day Aleksander Aksyonov was hosted by Jan Glowczyk, Politburo member and secretary of the PZPR Central Committee. On Friday [29 January], Janusz Roszkowski, chairman of the Radio-TV Affairs Committee, and Aleksander Aksyonov, chairman of the Soviet State Committee for Radio-TV Affairs, signed a protocol for radio and TV cooperation for the years 1988-1990. It contains resolutions specifying conditions for the exchange of radio and TV programs, undertaking joint broadcast projects, co-production, joint technical and programming services for permanent correspondents and crews from both sides and regulations for individual non-foreign currency exchanges. The protocol also anticipates a significant increase in those forms of programming cooperation that give precedence to direct antenna contacts. The number of live broadcasts—of the TV and radio bridge type, on-air discussions and co-produced programs—will also increase.

Aleksander Aksyonov also answered PAP reporters' questions. "My visit to Poland," he said, "in a dual role as chairman of the Central Board of the TPRP and chairman of the State Radio-TV Affairs Committee, has been a varied experience and, at the same time, very important for my professional work and public activity. First of all because I was here as a TPRP activist and my stay in Warsaw and Katowice has given me the opportunity for direct contact with TPPR members. They have shown once again that our mutual relations are extremely friendly and comprehensive. I had the opportunity to exchange experiences in our work and also to ascertain that it is important for the full implementation of the reform tasks that contemporary life has placed before our countries. Our work, as the jointly signed protocol confirmed, must have an even more specific and effective dimension."

"The same applies to my work as chairman of the Radio-TV Affairs Committee. The role of journalists and the media is enormous in this modern, rapidly

changing world. So cooperation in this field is a requirement of the times in which we live and it permits us to augment our forces in the struggle for socialist renewal and socio-economic progress."

12776

**ROMANIA**

**Yugoslav Weekly Comments on Brasov Workers' Unrest**

28000058 Zagreb DANAS in Serbo-Croatian  
1 Dec 87 p 56

[Article by Kreso Spelitic: "Brasov Boils Over: Demonstrations Due to Lowered Wages and New Restrictions on Consumption"]

[Text] What is new in the old Romanian story tied to the coming of winter is not only more severe restrictions on the consumption of electricity and gas, but also social unrest that has broken out in the Romania's second largest city, Brasov (around 330,000 inhabitants), for half of this month. According to estimates by various Western sources—because there is no official information—between 2,000 and 20,000 people have taken part in these disturbances, and demonstrations have lasted for between 2 and 6 hours. The police and the army have intervened, and two policemen have reportedly been brutally killed. Enraged demonstrators have turned over cars, shattered store windows, looted shops and finally set fire to City Hall.

The reason: a change in the law that links the level of wages with the fulfillment of the production plan (lower production—lower wages), but also new, drastic restrictions on the consumption of electricity and gas (by 30 percent) as well as the ongoing difficulty and privation in providing the citizens of the city with food.

It is only Brasov that is boiling over, however, because strikes for the reasons noted began as early as the end of last year, but nowhere did they achieve the scale of the strike carried out by 35,000 miners in 1977, who at that time were protesting poor working conditions and pension cutbacks. However, that strike was put down by the army, and more than 4,000 miners were transferred to other regions.

Now the army has intervened again, and it is difficult to say what the consequences of this act will be, or whether this fact will stop the protests and discontent. Specifically, the situation for the economy and for energy in Romania is clearly coming to a head, and the last government measures—both those in the law concerning the association between production and wages and those dealing with a drastic cutback in energy and the dismissal of a series of ministers—confirm it.



Why has linking production and wages infuriated workers? Not because they feel that a reduction in production should not lead to a reduction in wages, but rather because fulfillment of the production plan depends on energy, of which there is not enough, and on the import of intermediate goods and raw materials, which has also been drastically reduced. At the plenum of the Central Committee of the Romanian CP at the beginning of October and at the Politburo session, as we have already written in our magazine, it was noted that Romania has at its disposal power plants with installed power of 22,000 megawatts, but that it will be possible to start up only 10,000 megawatts, and that only if special measures are undertaken, for which the untimely delivery of equipment and reserve repair parts, the sluggishness of the construction industry and the shortage of building materials are to blame. It was for similar reasons that 250 plants in the chemicals and metallurgy industry did not achieve their planned production level; they did not work at full capacity during the first 10 months of this year. Significant non-fulfillment, in the words of party chief and head of state Ceausescu himself, was registered in mining, oil exploitation, metallurgy, chemicals and several sectors of engineering. On the other hand, Romanian exports compared to Western imports have fallen since 1981 by an annual rate of around 11 percent (exports have fallen by around seven percent); despite this, Romania continues to pursue its goal of paying off its entire foreign debt (at present, it has been reduced from around \$10 billion to around \$5 billion). Thus, it paid \$1.5 billion during the first two quarters of this year for the principal and interest totalling \$1.8 billion that falls due this year, promising that it will moreover repay the billion dollars that falls due next year, for which it has already provided \$300 million. In order to do so, Romania would have to earmark nearly 50 percent of its total foreign exchange revenues from exports, which the majority of Western experts feel is something that the country cannot endure, according to the REUTERS news agency.

The insistence on repaying the foreign debt at any price has obviously already topped the "price" that can be paid without consequences, especially since it is already being announced timidly that it will be necessary to take on new credits after 1991 after the old ones are paid off. This is because in some estimations the import of new technology is becoming a necessity if the country wants to improve the competitive position of its most important branches of exports, especially the production of oil, cement, steel and aluminum, which is inefficient because these industries reportedly consume around 50 percent more energy than equivalent operations in the West.

However, the energy crisis into which the country has been led also reflects directly on the standard of living of the population; it is quite difficult today to comprehend and imagine what it means in a European country to have the previous monthly limit on electricity consumption for a three-room apartment, for example, amounting to 47 kilowatts cut back to 35 a month, which is said

to be enough to light up an apartment for two to three hours a day, but not enough to use the refrigerator, the washing machine, the iron, etc. Electric heaters are out of the question, because they are prohibited. Light bulbs have been restricted to 25 watts, and there is talk of this being lowered to 15. Gas consumption is also restricted, and in the winter months it varies from 80 to 250 cubic meters per month, depending on the size of the apartment and the tenants. (Experts emphasize that an average family in Vienna, which has a climate similar to that in Bucharest, uses 80 cubic meters of gas for heating and cooking in a week.)

For those who exceed the prescribed consumption level, severe fines are envisaged, and there is also the threat of a full cutoff of these energy sources.

Consequently, if one adds up all the riots in Brasov, the sum total is a growing discontent among the population with an economic situation caused in part by mistakes in planning energy development. The frequent dismissals of ministers and managers in this sphere of the economy have been to little avail, nor has bringing in the army to run it, and "without significant inflow of capital, the economic prospects for Romania in the 1990s are very dismal." However, Ceausescu announced in a speech just at the beginning of this year that the uncompromising policy with respect to the foreign debt will be continued, saying, "Under no circumstances can we resort to credits with regard to social and economic development," adding that borrowing inhibits development and an improvement in the standard of living.

The results of this policy have not borne him out.

12271

## YUGOSLAVIA

### Survey of LCY Members Shows Persistence of Statist Attitudes

28000057 Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian 13 Dec 87 pp 16-17

[Article by Milan Milosevic: "Statist Risks"]

[Text] "The public is much more attuned to economic, bread-and-butter issues than it is to ideological problems. The predominant political action at the level of ideological clarification is not of primary interest to a public which demands action in the area of the economy," writes Dr Ivan Siber, a Zagreb political scientist, in a study just published. He adds that the greater emphasis on the ideological sphere over a protracted period in our society is meeting with waning interest on the part of the public.

Dr Siber's study is entitled "The League of Communists, Social Structure and Conscience." It was written in cooperation with the Center for Theoretical Ideological Work of the Zagreb Municipal Committee of the League

of Communists and the Research Institute of the Faculty of Political Sciences in Zagreb. A basic random sample of a total of 1,801 persons (including 333 members of the LCY) in Zagreb was supplemented with samples of 127 LCY members and 127 former LCY members, so that the total number of persons asked for their opinions was 1,959.

In the past, concludes Siber, the League of Communists has managed by means of various political socialization mechanisms to create a relatively homogeneous social awareness as regards some of its definitions of values. This approach must only in part be regarded as confidence in the institutions of our system which could be especially important in the crisis.

#### **Is the LCY Losing Respect?**

However, the pronounced crisis years did not lead to the decline in motivation for joining the LCY, at least among "average" members of the public, stresses Siber, pointing to recent studies indicating willingness of young people to join the LCY. According to his study, for every member of the LCY there is another person who would like to become one.

LCY members on the average have higher social status, are more satisfied with what they have accomplished, are satisfied with the self-management relationships in political processes in society, to a greater extent accept the basic ideological orientation of our society, and have a less authoritarian personality structure than do non-members. The sociologist explains the higher social status of LCY members by their more active attitude toward work, organization, and society, but also points out that party members occupy a sort of privileged position, from which their greater satisfaction with life, optimism, and uncritical attitude derive.

The League of Communists itself fared relatively poorly in this survey, however. A large number (about one-half) of those surveyed state that they are not familiar with the work of the LCY, and when the action of the LCY is noticed, for the most part (one-third of those surveyed) it is believed that such action does not lead to major results. The researcher is surprised by the fact that 57 percent of those surveyed believe that all the conflicts that exist in society exist in the LCY as well and that a relatively small number of persons surveyed believe that the League of Communists in the individual republics and provinces operates in a uniform manner, something which is often stressed in analysis of daily political relationships. According to this poll, the reputation of the League of Communists has declined since the time of the single survey conducted in 1982.

#### **Faith in the Government**

The self-management value orientation is widely accepted—only 1 percent of those polled have a negative attitude toward it, 65 percent accept it, and 35 percent are neutral.

To judge by this comprehensive analysis, the self-management orientation is, however, threatened by statist hazards. The egalitarian-statist orientation is placed very high on the rating list of acceptance: 29 percent of those polled have a negative attitude toward statism and egalitarianism, but 71 percent have a positive attitude toward it. Egalitarianism has its adherents in both the higher and the lower strata. In the sphere which the researcher terms "public services," the better educated and those who are engaged in creative endeavors admittedly have a negative attitude toward egalitarianism, but they do have a relatively positive attitude toward statism. Probably, states Siber, the position of these activities in society encounters a number of difficulties in self-management of labor, and these difficulties generate the requirement of stable, "enlightened," government regulation.

The statist egalitarian orientation is more pronounced and extreme, as the sociologists state, among the deprived (threatened) social groups. In these strata, ideological attitudes are more extreme in a different way than among the higher strata. The demand for more uniform distribution of social goods and, again, for firmer government regulation, is more pronounced primarily among poorer persons. It is important to note that the egalitarian statist orientation is also linked to the authoritarian personality structure, which is also more pronounced among the poorer groups.

From the political viewpoint, the situation of social crisis, of increasing impoverishment, of loss of hope of a way out of the crisis, markedly favors manifestation of attitudes which have their psychological basis in a predominantly authoritarian personality structure, which, possibly because of tradition and less education, appears in the poor, something which is a profitable object of manipulation in the direction of non-self-managed, statist solutions. The place of birth, observes Siber, also affects the attitude toward the egalitarian ideological orientation. The poorer the environment, and above all, the underdeveloped rural environment, the greater the value attached to egalitarianism.

The family and school have a relatively slight impact on political socialization. "The generation gap," says Siber, "makes intrafamily communication simply impossible. This is dangerous on the broader social scale, inasmuch as abolition of these primary bonds may make the individual highly susceptible to extensive manipulation." Within the family, the (political) influence of the father is decidedly in the forefront, and is especially pronounced in the highly educated categories. This is to be ascribed to the fact that the better educated devote more energy to the education of their children.

The mass media have a more pronounced impact on political socialization of the groups with lower and intermediate education. It is interesting that the influence of a spouse (most often the husband) is also significant. The influence of a teacher is also registered,

but only at a young age. And despite the assumption that the church has an important influence as the exponent of political values, one which has a negative impact on acceptance of self-management and egalitarian ideology and a positive one on religious and nationalistic ideology, this is not borne out by the facts. Political organizations, notes the researcher, have a positive effect on acceptance of the self-management ideology. It appears, however, that no one factor has been singled out which is decisive in formation of political thought has been isolated.

### Political Alienation

Political alienation is one of the obvious facts to which this study calls attention: 57 percent of the persons surveyed have never participated in a political or public event in a local collective, and this figure rises to 71 percent when it is a question of public or political events in the community. About 35 percent of the persons polled state, however, that they often talk about politics in the family.

By the way, according to Siber, approximately 84 percent of those surveyed expressed a negative national-religious orientation, and only 16 percent a positive one.

The first segment of this study is concerned with movements in the social structure. Direct management work (brigade leaders, managers, heads of small sections, and the like) is a kind of promotional lever which is used chiefly by individuals whose parents are from a rural area. The ones who reach highly technical positions most often are persons who have worked or now work in activities outside the economic sector. This is due to the fact that the privileges of parents are given material expression in the opportunities for educating the children.

The majority of those surveyed feel that the minimum individual income should be 50 percent higher than the average individual income. Those below this level are persons employed in direct production jobs, or ones in highly technical jobs, this being due presumably to the poor position of education and culture. One group which rises above this "decent minimum subsistence level" is made up of individuals in general management positions.

Although, as in other studies, the persons who are employed in material production are at the bottom of the social ladder, and professionals are at the top, there are several findings indicating the low standing of professionals. The housing situation of professionals who occupy management positions, for example, is much more similar to the situation of those who work directly in material production than it is to the situation of persons in management positions. The criterion applied in assignment of housing is hierarchical standing rather than professional competence.

Moreover, only 44 percent of those surveyed showed awareness of their own membership in a class, while 38 percent of them stated the class to which they belong. Siber also points out that 32 percent of those questioned stated that they belong to the working class.

Many of the persons surveyed who neither objectively nor subjectively belong to the working class are aware of the special interest of this class. Siber, however, asks how it is that one-half of those holding executive positions in organizations engaged in material production and other areas of the economy, persons who may quite definitely be said to belong to the working class, are not aware of their interests. Siber ascribes this to a kind of "ideological optimism." It appears that the basic dichotomy in our society is between the "working class" and "others," the "others" for the most part denying the existence of a class structure in Yugoslav society.

One-half of those surveyed stress that there is a more pronounced solidarity between the members of the working class than between other social groups. However, a high percentage of the persons polled (27 percent) exhibit a marked self-orientation and regard solidarity merely as the result of external compulsion; they find solidarity only within the limits of small, self-contained groups.

"What would you do if part of the employees in your labor organization walked off their jobs?" "I would show solidarity with them and walk off too," was the response of 38 percent of the persons asked. Another 11 percent replied that "I would walk out only if the problem affected me personally." Logically, immediate supervisors exhibit the least willingness to strike. This can also be ascribed to the fact that strikes are most often aimed at them, as well as the fact that they suffer the consequences of a strike much more directly. The sociologist also advances as explanation the thesis of "inadequate political socialization of direct production workers," who, according to this thesis, "fail to realize the importance of self-management relationships in solving specific problems."

### "The Haves and the Have-Nots"

"There is a division into haves and have-nots." A total of 59 percent of those surveyed subscribe to this statement, but only 13 percent to the assertion that "there is a division based on power." Consequently, people see differences primarily in property status. This may indicate that the value orientation of egalitarianism is so strong that it suppresses any other content of ideological analysis of one's own situation. This large-scale oversight of the differences deriving from power, which according to other analyses is the basic factor in the crisis and the stratification of society, is not separately analyzed in the study. Does this "indifference toward the distribution of power" illustrate large-scale political weakness, or is the answer possibly to be found in a different view of authoritarianism in Yugoslav society?

One rather surprising finding is that, on the whole, the persons surveyed are more or less satisfied with their social situation and with life. The greatest dissatisfaction is expressed because of disappointment with material acquisitions and relationships at work and dissatisfaction is expressed over the social standing of one's job. The best satisfied among those surveyed were persons over 38, who may be assumed to have achieved more or less what they are able to achieve in life (housing, job, family situation, and social connections).

### The Main Problems

Heading the list of overall perception of the most important social problems are "unemployment" (28 percent of those asked), "privileges and (undue) enrichment" (17 percent), and "bureaucratic management" (14 percent). At the bottom of the list are "struggle against ideological opposition to the League of Communists" (2 percent), "more rapid development of the underdeveloped regions" (2 percent), and "resolution of the question of international relationships" (2 percent). The most important groups of problems of Yugoslav society are "economic" (38 percent of responses) and "behavior hostile to the self-management system" (35 percent), while only 9 percent of those surveyed are concerned about "ideological problems." In 1969 this figure was 25 percent; this is a sign that ideological concerns do not plague the people at large so much as they do political forums.

In 52 percent of the cases, a perception of inequality is found in the socioeconomic area (in production and administration relationships 31, and in manual and other than manual occupations 21 percent of the responses), while, for example, only 5 percent of those asked notice inequality of the sexes, 4 percent speak of inequality from the viewpoint of ethnic membership, or 2 percent see inequality between religious persons and atheists. Is this finding surprising in view of the fact that the official public focus is obviously entirely different? It could be said that in our country there is talk most often of ethnic (in)equality but there is scarcely a murmur about social inequality in our socialist state.

Insofar as emergence from the crisis is concerned, notes the researcher, there are fairly strong stereotypes based on ideological evaluation. "Punishment for economic offenses" (16 percent), "replacement of all managers who have not produced the expected results" (14 percent); prescriptions such as these for overcoming the crisis head the list, while at the bottom are responses such as "greater commitment by the League of Communists" (3 percent), "allow the marketplace to operate freely" (1 percent), or "restrict consumption" (1 percent of responses).

The crucial image of our ideological patchwork quilt is possibly to be found precisely in these figures. The League of Communists apparently has not succeeded in making clear to its members and the public the goals and

the method of the economic reform on which it decided 5 years ago (the long-term program). Also, the solution apparently is expected to be found by following the path of repression and statism, the path over which the crisis arrived.

6115

### Ethnic Stereotyping Reexamined in Light of Current Tensions

28000081 Belgrade POLITIKA in Serbo-Croatian  
6 Feb 88 p 9

[Article by Radoslav Stojanovic: "The Culture of Behavior"]

[Text] Recently there has been a great deal of talk in our country about the "mentality" and "character" of people, peoples, and entire societies. Large divisions are made on that basis which are being demanded by historical territories, present-day states, and entire continents. We seem to be living in a time of universal reexamination and a search for guilt and the guilty. That is why it is quite normal for there to be doubts concerning evaluation of everything that might be a cause of the strange situation in which we have been living for a long time now. That is why I can understand the efforts to use "psychoanalysis" to obtain diagnoses of our own selves and still more frequently of "them." The effort is being made to penetrate our very identity and to seek in it the "dark areas" which are the source of all our misfortunes, incomprehensible states, historical destiny, and indeed even fundamental and day-to-day political commitments and events. It might be said that these efforts are altogether in keeping with the catharsis we are going through. It is also quite understandable that our literature, from aphorisms to novels, is becoming increasingly sensitive to these matters. What is especially impressive in it is the pronounced readiness to be sharply critical of the character and mentality of the people to whom that literature belongs. In and of itself this is an encouraging fact in the sea of discouraging events in which little foundation for optimism can be found.

In recent years, and especially this past year, we have also been given assurances from outside (outside Serbia and outside Yugoslavia) that the Serbs are the heirs of all the evil of Byzantium (no mention is made of the legacy of good), of Asian despotism, and undemocratic police-militaristic mentality. Before the entire public a removal from power has been proclaimed to be Stalinism and no one even cares that the creator of that "invention" never operated that way. That removal from power might please some people and some people it might not. However, why use our hatred for Stalinism to argue our opposition to it? When an act is criticized with labels rather than with arguments, then we must be aware that this type of criticism is precisely one of the most cherished methods of Josef Dzugashvili himself. That kind of

criticism shows the heaviness of the burden of stereotypes and prejudices which quite understandably diminish or destroy the effect of the criticism itself. If we add to this label the false fear (throwing up a screen) of "Serbian dominance," of "centralism," of "unitarism," and of "hegemonism" (labels for all the enemies and friends of Yugoslavia which have become rather trite), one gets a rather well-rounded "extra-European" and anticultural picture of the "Serbian mentality or character."

### Reality and Demoralization

Our overall lag (Yugoslav), the terrible demoralization (even the biographies of the leaders are being disputed), and the fundamental political blind alley and poverty are conducive to mutual charges because it is always easier for people to blame someone else for the trouble they have gotten into. In this universal search for a scapegoat or in this universal expectation of light, there has been an impressive effort by many Serbian writers to look for both of these in their own people. The greatest among contemporary writers have already produced works containing many questions and answers which we must reflect on seriously. In recent years there have been frequent appearances by two wonderful writers (I apologize for their modesty), D. Kovacevic and S. Selenic, with their preoccupation precisely with the Serbian mentality, in which they also look for answers to the present-day questions of historical developments. Those answers of theirs may often be perceived as disastrous and one may feel despair, since mentalities hardly change at the speed we now need. However, the acceptance by the foreign public (readers and theatergoers) demonstrates that hope is discovered in them. With a little optimism it can be assumed that this indicates the maturity of the community, since the social mass can never be caught up by a masochistic desire to enjoy self-humiliation. At one time, the gusla players (writers) had to glorify their own people in order to wake up or to hold their heads high. A man of mature years must reassess the road that has been traveled in order to find what was better, what was more certain, and what was cast in a better light.

The greatest problem that arises with this approach in seeking answers to our difficult reality are a number of difficulties that arise when we have to distinguish prejudices concerning our national character and mentality from their real nature and importance in real life from culture to politics. Can certain manifestational forms of behavior (indeed even mass behavior) truly be diagnosed as the mentality of a people or society? Can we draw from those types of behavior far-reaching conclusions concerning their life and indeed even historical destiny? I think that both are an exaggeration after the fashion of caricature. This does not mean, of course, that such a caricature is devoid of importance and a cultural function. Likewise it is beyond dispute that a caricature is only one side of a picture whose other sides we can find only in other sources of knowledge about the subject of the caricature.

### Stereotype or Prejudice

When we reflect on those other sources of knowledge about the phenomena which interest us, only then do many sides begin to open up which in all their number constitute its true wealth of forms and content. Any narrowing of the field of vision impoverishes awareness. This kind of impoverished knowledge is a stereotype or prejudice which allows us to have only some perception of reality, but not real awareness of it. Which is not to say that stereotypes, prejudices, and perceptions can be separated out of people's relation to reality. I even think that they should exist, since they emphasize the human predisposition toward perfection of knowledge; knowing "nothing" offers less by way of an incentive than "knowing something." However, I think that it would be tragic for any society if it "systematically" welcomed and maintained a state at the level of "knowing something," that is, if it was anxious to maintain stereotypes and prejudices both about itself and also about others.

Many books have been written from belles lettres to anthropology and sociology about national mentalities and characters. As for political theory, those categories are by and large given more importance as folklore than any real significance in organization of the political system. Belles lettres are also overflowing with wonderful observations to that effect. I think that it can be said that it is precisely in those literary descriptions that one can find the most evidence for talking almost exclusively about mentalities solely in the sphere of the culture of behavior. As is well-known, one of the ways in which cultures differ is in the culture of behavior. Those differences are visible both from one civilization to another different one and also from one culture to another within the same civilization. Since every culture creates its own system of values, the criteria for evaluation of the culture of behavior also differ. For a "true" German, the French mentality is frivolous. In its fascist version that prejudice assigned to the French the place of "entertainers" of the German "superman" in the new order. From the point of view of the French, "German culture civilizes, but it does not cultivate." For an Austrian, all people from the Balkans are "crude" ("they behave in an uncivilized way"). For people from the Balkans, Austrians are "boring," since when they enter a coffeehouse they behave as though they are in church; they all whisper and turn with hostile looks toward every "loud voice" with a foreign accent. For the English, "everyone works to live, but the Germans live to work," and so on, and so forth. Those from the Far East help Europeans to get over their differences by considering them all uncultivated roughnecks lacking the elements of civilized behavior. Their tolerance toward them appears to be a model which might be a generally accepted value in the culture of behavior of the "world village," since insistence on equalization of cultures of behavior would be an insupportable tyranny.

Everyone knows that all these "assessments" have not hurt the development of France, Germany, Austria, or indeed Japan. In this short article it can already be said

with full certainty that it is not mentalities but something else that is "responsible" for development or progress. In politics especially. All of the countries enumerated (and others as well) have experienced absolutisms, dictatorships, and democracies with their differing mentalities and cultures. At the same time, it is precisely in politics that prejudices and stereotypes are most frequent. It can even be said that politics creates or awakens them. When it has a need for them, of course! Which it frequently does, since conflicts in politics are a normal occurrence; the more frequent the conflicts, the more numerous the prejudices—old and new and usually negative.

How many books have been written in the West, for example, about how the Russian mentality has for centuries been the cause of the old autocracy in that country? It is of no importance that those same authors consider man as such to be a free being. Likewise they forget that it is only in the last 2 centuries (out of 20) that the West has managed in a number of states belonging to its civilization to successfully maintain one of the well-known types of democracy. At the same time, right up until our own day, tyrannies have prevailed in that same West, and Stalinistic communist parties have flourished.

#### The Faults of One's Own People

Let us get back to us. I would repeat that it is wonderful that our writers are presenting to the public the splendidly sketched faults in the mentality of their own people. Their contribution to awareness that it is dangerous to achieve harmony solely through battle casualties is a warning that we need to rely much more on wisdom than on courage. To rely more on creativity and the forces which carry it forward than on the force of political power. It is impressive when the "denunciator's mentality" in the "Balkan spy" is condemned through an artistic experience or Selenic's "discovery" of unpleasant historical truths in "Ruzenje Naroda" [Saying Bad Things About the People]. Those ugly truths seem to be quite clear when we bear in mind the shattered relationship of individuals and the shattered community that suffers from the well-known Serbian syndrome of discord. The parting of the ways of individuals and of the community result in man's aloneness by depriving him of individuality, and all of this together leads down a historical blind alley.

Meanwhile, is all of that firmly inscribed in the character of the nation and in its mentality, or is it a consequence of something else? Let us imagine a scene taking place in Great Britain. There, as is well-known, it is the honor of every citizen to report to the police if he sees suspicious behavior in his vicinity, especially if it can be related to the "foreign element." However, if Mister Smith goes to Scotland Yard and tells the inspector that his neighbor Mister Scott said that Margaret Thatcher is going to ruin the country, it is quite possible that the inspector would answer him ironically: "I agree with Mister Scott. Do you mind telling me his arguments?" After that kind of conversation, Mister Scott (and also Comrade Petrovic) will never again go to denounce (inform on) his neighbor. But if the policeman had patted him on the shoulder and later one day gave him a "good reference" for his employment, then it is certain that "Balkan spies" would spring up everywhere. Throughout the world and in all cultures there are bad people and spiteful neighbors who will want "their neighbor's cow to die." It all depends on the kind of behavior that is supported by the "system." If a monument is dedicated to you when you denounce your father, then one must certainly expect a large increase in the number of people wanting to gain "fame" in this way. This will emerge with particular ease in a society where the fight for existence is waged at the elementary level.

However, wealth or poverty do not in and of themselves make the decisive contribution to creating "mentalities" that are directed toward progress or retrogression. Unfortunately, down through all the histories of civilizations only small islands have enjoyed the well-being of progress in a sea of entropy. History demonstrates that neither wealth nor high level of development are indispensable to diminishing the importance of a culture of behavior in which there are negative attributes that engender negative social consequences. Both are actually the result of the activity of social forces which are carriers of creativity and progress. Which social forces are those? No one has ever held title to progressiveness. Creativity is carried forward by forces which do not deny it—freedom. How can that freedom be brought about and preserved? There is no model or theory of this that is set down for all time. But it is quite clear that if a person does not bear responsibility to society, he can be led even by forces which are not creative. And that is possible only in a lack of freedom. And that closes the circle.

07045

## BULGARIA

### Reasons for Current Destabilization of Bulgarian Economic Reform Noted

26000184 Warsaw POLITYKA in Polish No 7,  
13 Feb 88 p 11

[Article by Jerzy Kleer: "Reconstruction in Bulgaria—Impeded Haste"]

[Text] The last week of January in Sofia was doubly vernal in nature. One reason was the weather and the other was the national party conference which met to approve and expand upon an earlier resolution on changes in the economic system and the democratization of social and economic life.

The state of the economy is assessed by more than just the appearance and contents of shops nor can that type of information be totally disregarded. I had last been in Sofia 4 years ago and at that time, the shops were full of high-quality products and made a great impression on me. Perhaps I was comparing them to the Warsaw shops of 1983. At the present time, my impression was not the best. The shops looked drab and their goods unattractive. I later heard conversations that confirmed that impression. The people with whom I spoke talked about the many difficulties that in the last few years have become a part of the Bulgarian economy. The most important of these are an energy crisis, years of agricultural problems caused by an extended drought, a rapid increase of debt to western banks, deteriorating product quality and slow economic growth.

On the other hand, however, there have also been numerous attempts to change the system of economic management, the culmination of which were resolutions by the July 1987 plenum of the Bulgarian Communist Party Central Committee, their continuation at the November plenum and the national party conference at the end of January of this year. These changes are interesting and worth examining because they are related to reform efforts in the other socialist countries. Let us look first at the economy.

A few years ago, representatives of western countries noted that Bulgaria was the one CEMA country which showed signs of positive economic growth, the ability to adapt itself to changing conditions around the world, low foreign debt, etc. The picture does not look quite the same now although Bulgaria has not been as severely affected by economic problems as the other CEMA countries.

For many years, Bulgaria was distinguished among its CEMA neighbors by its active role in international trade. Out of the other socialist countries, Bulgaria has the highest per-capita level of export and import trade. In 1986, per-capita level of Bulgarian export trade was 1621 dollars while for Poland it was only 322 dollars. The figures for import trade were 1712 and 299 dollars,

respectively. This amounts to an almost five-fold difference and gives good cause for envy. However, the problem takes on a different light when one takes a closer look. In 1986, the per-capita level of Bulgarian export trade to developed capitalist countries was actually lower than in Poland. The difference was not that great and amounted to 95.60 and 109.20 dollars, respectively. The geographical directions of Bulgarian foreign trade also differ from those of the other socialist countries. Some 11.2 percent goes to developing countries and only 5.9 percent goes to capitalist countries.

It is necessary to take a closer look at the geographical directions of Bulgarian foreign trade to understand that country's growing debt to capitalist countries. There is no published official data on the national debt and when I asked the vice-minister of foreign economic cooperation about the matter, he told me that no such figures were available. Different people gave me different figures which ranged from 4.5 to 7 billion dollars. Regardless of the amount one assumes, Bulgaria's foreign debt has grown considerably from its level of 1.5 to 2 billion dollars at the start of the 1980's.

### A Shortage of People and Water

What has happened in the last few years? I think one can attribute the change to three independent factors. Above all, for several years now, imports from developed capitalist states have considerably exceeded exports. The balance of trade with the West in 1985 and 1986 closed with a deficit on the order of some 800 billion dollars. I still do not know last year's figures but I think that figure is not any less. This long-term higher level of imports is the result of continued industrialization in the steel industry, chemistry and machine-building and a considerable drop in export sales to the West. At the same time, there are increasing difficulties in trade with developing countries. Bulgaria always exported a lot of products to these countries and gained much foreign currency. In recent years, the developing countries have had ever-greater problems with their own foreign debt, are buying less and want more credit.

A drastic agricultural situation in 1985 made it necessary to import grain (as much as an estimated 3 million tons in 1986) and 1987 was also a bad year. According to a public announcement by the Statistical Bureau, agricultural production has dropped 3.8 percent from 1986. In Sofia, I was told that Bulgaria is importing garlic from Spain, grain from Argentina and onions and potatoes from Poland. It has been estimated that there has been a loss of some 800 million leva worth of agricultural products.

The agricultural situation is much more complicated and failures cannot be blamed solely on drought.

Agriculture is also suffering a shortage of people and water. I was told that there are large agricultural regions in which only older people, and a small number of them



at that, live. That is the result of a low growth in population (for example, in 1981, Bulgaria had a population of 8.89 million and just 8.95 million in 1986) and the migration of people into the cities. Bulgaria has made revolutionary changes in the structure of its population. As recently as 1970, 40 percent of the population was employed in agriculture or forestry but at the present time, that figure has dropped to 20 percent. Obviously, these changes have been reflected in the growth of new branches of industry, especially heavy industry. At the same time, Bulgarian agriculture is very labor-intensive. The harvesting of grapes and other fruits cannot be mechanized and that is why youth and the army have to be mobilized for the fall harvests.

The harvest results vary: sometimes they are good and sometimes bad. At the beginning of the 1970's, they tried to remedy this by creating great agro-industrial complexes combining the food industry and agriculture. They then liquidated agricultural production cooperatives and restricted or shut down private plots. This concept has not worked and the search is on for better ideas.

The water problem is even more complicated. Droughts are not a recent problem because Bulgaria has had them often. There never was a lot of water. The growing industry consumes too much water and past water investments have been insufficient. Agriculture was important but less so than industry. That is why the country is now seeing so many bad effects of forced industrialization and especially that of heavy industry and metallurgy.

Therefore, that is why in Sofia and even more so in the provinces there are shortages ranging from numerous industrial products to electrical energy. These are complicated problems and that cannot be discussed adequately in the space of this article. I do think, however, that one can indeed say that the streets and shops of Bulgaria are drabber than they were 4 years ago.

### Continuity of Reform?

For 6 months now, the Bulgarian economy and all of society there has been living under the effects of the reform announced by the July plenum of the Central Committee. The reform consists of three points. The reconstruction is comprehensive in character and affects all spheres of social, economic and political life. The essence of this reform is democratization in which ownership of the means of production is being turned over to the workers while the emerging system of self-management is being prevented from degrading into anarchy. Self-management is discussed in the party documents I have already mentioned as a higher form of socialist government based on the principle of democratic centralism. Many members of the party leadership have stressed that the new element is that the accent has been shifted from "centralism" to "democratic". The model

of social and economic life is strongly national in character. For me at least, that was not entirely comprehensible because all of the speeches and reports at both plenums (July and November) and at the national conference stressed ideological unity and advocated many of the ideas of the Soviet "perestroika". The national character of reconstruction is based on transforming the old economic and social model while continuing the policy adopted at the April 1956 plenum. This is the same as saying that the policy was always correct but that the current changes have been brought about by new circumstances.

Since at least the middle of the 1960's, the Bulgarian economy has undergone many changes. At that time, some rather radical variants of reform were proposed and some of these were introduced but later withdrawn after the 1968 events in Czechoslovakia to be again replaced by a centralized system of management.

The beginning of the 1970's was a period of great concentration. The number of associations was reduced from 120 to 64 and in the middle of the 1970's, the latest complexes were formed from the division of several economic associations. There were profound changes in agriculture when agro-industrial complexes were formed and then combined with the food-processing industry.

This concentration process deprived or at least considerably restricted independent decisionmaking in economic enterprises. The central apparatus was partially freed from involvement in details but still maintained enough control over decisions that one could call it a modified but still highly centralized economic model.

The results were, however, limited. In the middle of the 1970's, there appeared a document that pointed out the chief directions for improving the system of national economic management in the 7th 5-year period of 1976-1980. The new economic mechanism began to function somewhere around 1977-78. The 12th Party Congress indeed confirmed the positive changes but was also very critical of the low economic efficiency. In 1982, the system of a "new economic mechanism" called the regulative system went into effect. Between that time and the July 1987 plenum, there were still many changes, especially in organizational structures.

This historical discourse was supposed to stress two circumstances. The first was that the Bulgarian economy has in the last two decades been subjected to many and maybe even too many changes that have to some extent destabilized it. Decisions were made quickly and then just as quickly dropped. The second is that all changes in the economic system were made under the guidance of the party secretary general, Todor Zhivkov. This has tended to make policy continuous even with the many changes to the economic system.



### On the New Model

It is still too early to analyze the new economic model because many of its features are still unknown. Nevertheless, there are two circumstances I would like to point out.

The first is that the changes in economic structure have been very rapid. Branch ministries were liquidated to create the ministry of industry and planning and to form new types of associations of which there are presently 10: "Elektronika", "Biotechnological and Chemical Industry", "Transport, Agricultural and Construction Machinery", "Metallurgical and Mineral Materials", "Industry for Man", "National Agro-Industrial Association", "Forest Economy and Industry" and "Building and Construction Industry". The transport ministry was also converted into this new type of institution.

The chief tasks of the associations are to restructure the economy, accelerate the growth of modern technology and provide greater independence to members by replacing administrative instructions with economic incentives and harmonizing general interests with those of the self-managing organizations. All of this is supposed to work through the state plan, government orders and the use of market relations. For the time being, these have been formulated in general terms which must be adapted to everyday practice. And that practice may vary as we have seen in the experiences of Hungary, Poland, the Soviet Union and other countries. The same holds true for the banking system. Several special banks were formed and have been given much greater responsibilities in rebuilding the economic structure and in their general economic functions.

The second issue concerns the new concept of ownership of the means of production in which socialist ownership is replaced by state, cooperative, community, mixed and individual ownership. All of these forms of ownership are to be equal to one another. When I asked about private ownership, I was told that it has not been foreseen but that various forms of franchise were an equally desirable form of socialist ownership. I am not certain that such an approach is correct because it will erase differences but we must see what the future brings.

The Bulgarian reconstruction is interesting. Perhaps the changes are being made too fast for practice and are introduced without enough prior testing but one cannot think of everything from behind a desk. The initial haste followed by hesitation is typically Bulgarian. If it does not destabilize the economy too much, it may even prove to be a good method.

### GERMAN DEMOCRATIC REPUBLIC

#### Honecker Asserts Position on Internal Reforms, Human Rights

2300005 1a Frankfurt/Main FRANKFURTER  
ALLGEMEINE ZEITUNG in German 15 Feb 88 p 4

[Article by Ws.: "Honecker Does Not Want To Copy Moscow's Course—Speech to the SED [Socialist Unity Party of Germany] Kreis Directorates—Events in East Berlin"]

[Text] Berlin, 14 Feb. SED Secretary General Honecker once again made it clear that the GDR is not thinking of copying the internal reforms begun by Gorbachev in the Soviet Union. In his speech to the first secretaries of the SED Kreis directorates, which was printed in the form of excerpts in the SED central organ NEUES DEUTSCHLAND, Honecker also took exception to the charge that human rights are being violated in the GDR. "In our country, the exercise of human rights means participating in the shaping of socialism," said Honecker. He once again confirmed that peaceful coexistence could never signify ideological coexistence. Honecker stated that it is the most important task of the State Security Service "to uncover enemy intentions and plans to harm the successful development of the GDR at the right time, to frustrate these intentions and plans, and to bar any surprises by the enemy." At the same time, he demanded: "Anti-state activity must be nipped in the bud and must be prosecuted on the basis of socialist law." In the published part of his speech, the GDR party and government head did not touch on the disputes with "outward-bound" and with "dissidents" in connection with the 17 January Liebknecht and Luxemburg demonstrations.

Honecker praised the "increased volume of visitor traffic" between the GDR and the Federal Republic. Last year, he reported, more than 10 million persons traveled in both directions. The appropriate agencies in the Federal Republic do not want to remember, Honecker said, "that the high travel costs, which we must come up with in terms of marks and pfennings in dealing with the Bundesbahn [West German Federal Railroad], cost the GDR an awful lot because of the currency split instituted by the West." He continued: "Instead, they are trying to misuse tourist travel for ideological subversion and other subversive actions." Honecker recently told the North Rhine-Westphalian Minister President Rau in East Berlin that the GDR is not satisfied with the practice of "welcome money" which visitors from the GDR get in the West. Both partners should now think about new ways of financing the increase in tourist travel. Honecker is obviously thinking of the direct payment of a lump sum to the GDR.

Concerning Gorbachev's reform efforts, Honecker commented that developments in the Soviet Union and the other socialist countries would of course be followed with much attention in the GDR. They are characterized, he noted, by a large number of reviews and changes

which are manifested in various ways. This involves the "acceleration of socioeconomic development," the "further rise in the living standard," and thus at the same time the question of making socialism more enticing and attractive in the peaceful competition with the capitalist system. "We are swapping experiences and we learn from each other," Honecker commented. The GDR, he said, supports the efforts of the brother states. Naturally, the important thing is to make sure that each country will respond at the right time and in a flexible manner to the new challenges in keeping with domestic and international conditions. As far as the GDR is concerned, the drafting of the strategic concept for the further fashioning of the developed socialist society was never considered a finished job, Honecker said. Instead, the important thing is "in keeping with our domestic conditions" again and again to find new answers to the questions that life poses. "It is quite natural that we consider and use the lessons learned by the other socialist countries in their socialist construction effort as we work along these lines. But this by far does not mean that we are simply going to copy them. That would be harmful." Self-assured, the SED secretary general added: "We need not apologize to anybody because of our successes in the social, economic, and scientific-technical fields, in the field of democracy. Our reform policy, which was launched in 1971, has borne fruit and continues to bear fruit." The chosen course turned out to have been the correct course and proved itself.

Honecker urged that, in the party's ideological work, the form and manner of the "implementation of the technical-scientific revolution" be tied in with the question of human rights. The fact that scientific-technical progress in socialism serves well-being, health, and intellectual needs after all is an expression of securely assured human rights. Social and cultural rights, he remarked, have been implemented for all citizens and nobody is excluded from that. "There is no social degradation, there are no 'fringe groups' and no 'social pariahs.'" Socialism needs everybody and has room for everybody. Social and cultural rights are a real possibility for each individual when it comes to fashioning a meaningful life amid social security and safety.

From time to time, even well-meaning discussion partners and allies somehow get the idea that socialism does indeed have much to offer in the economy, in science, in the universe, and in terms of social and cultural rights, whereas capitalism is superior to it in political and personal rights and in democracy. That of course is wrong, Honecker continued. The "so-called personal rights and freedoms"—such as the right to the inviolability of the individual personality, freedom and dignity, as well as the entitlement to their protection, the right to respect, protection and promotion of marriage and family, freedom of conscience, religion, and denomination, the inviolability of postal and telecommunications secrecy, the right to move about and choose one's domicile, the right to personal property, as well as comprehensive

assured legal rights for every citizen—these "are particularly highly valued" under socialism. Naturally, civic duties are also connected with human rights under socialism. "This is something we need to be silent about just as little as the fact that there will not be a 'right' to disregard the law—no matter how much the enemy might wish that. In our country, the exercise of human rights means participation in shaping socialism," Honecker said in conclusion.

08309

### **Honecker Criticizes Economic Sectors for Poor 1987 Performance**

23000051b Frankfurt/Main FRANKFURTER  
ALLGEMEINE ZEITUNG in German 15 Feb 88 p 11

[Article by Ws. "Honecker Criticizes GDR Economy—SED Secretary General Speaks of 'Friction'—Plan Cut—Discipline Violated"]

[Text] Berlin, 14 February. In 1987, the GDR on the whole made good economic progress but there has been "friction" in various places "which often had to be corrected with a considerable effort." This is what SED [Socialist Unity Party of Germany] Secretary Erich Honecker said in his speech to the first secretaries of the SED Kreis directorates. Not infrequently, he said, there are enterprises that failed to attain their plan targets. Honecker acknowledged that the national economic plan had been reduced "to a certain extent" for some areas in 1987. But the requirements of the national economy were not simply wiped out because of cuts in planned output. The shortfall in terms of output growth simply meant that there was not enough to go around "and that sometimes had a disturbing effect in some production processes, in foreign trade, and also in the supplies that reached the population." To mitigate these consequences, it was necessary to import the "nonsocialist economic area" to a by no means minor degree.

Honecker said that the key to the realization of the 1988 national economic plan was to develop new economic discoveries and to make more economical use of them. But the critical point, he noted, is the decisive improvement of product quality. There is a tough, unforgiving standard for this on the foreign markets: "The real foreign-currency proceeds in terms of marks." It should after all be possible "that 1 Mark of the GDR is equivalent to 1 DM in international trade.

During a phase in which the structure of the national economy is increasingly changing, investments assume even more significance than before. The party leadership decided to use the available funds to a greater extent for the purpose of strengthening the material-technical base. In this connection it was necessary to keep in mind that one-third of all industrial investments in the GDR are tied to raw material and energy supply. The GDR must also more quickly replace a series of obsolete plants with new equipment if the stability of production is to be

assured and if its effectiveness is to be increased. In the past, it was often precisely investments in production that were inadequately prepared and implemented. The State Planning Commission and the ministries must do a better job in supporting the general managers of the combines when it comes to doing the managing and accounting work for large-scale projects. Overall, the situation in 1987 was not satisfactory. It happened not infrequently, he reported, that construction capacities were taken away from industrial projects. In some cases, the responsible ministers had just about accustomed themselves to deadline postponements.

Talk about unusual, extraordinary events, which struck the GDR in 1987, mostly boils down to comments about the harsh winter, Honecker said. He wanted to direct attention to the fact "that our national economic results were impaired to a considerable degree as a result of damage that developed even at entirely normal temperatures, specifically involving not only older but also highly modern production facilities." Analyses showed, he said, that the plant's operating system and technological discipline were "crudely violated" in each individual case. "Subjective failure" turned out to have been the number one culprit in all cases. Considerably more attention must be devoted above all to the selection of supervisory personnel for highly-sensitive and complex systems.

08309

## POLAND

### Subassemblies Contract for Soviet IL-86

26000106c Warsaw SKRZYDLATA POLSKA in Polish  
No 48, 29 Nov 87 p 2

[Unattributed article: "Contract for IL-86 Subassemblies in 1988"]

[Text] On 29 October in Warsaw, a contract was signed for the Polish aircraft industry to provide cooperatively-produced subassemblies for the Soviet wide-body IL-86 jet in 1988. The 32-million ruble contract calls for the export of subassemblies traditionally produced in Poland for more than 10 years. The contract was signed by Kazimierz Niepsuj, director of the aviation bureau of the Pezetel Foreign Trade Enterprise, and Gennady Sysoyev, director of the Aerodrommash firm of the Aviaeksport Soviet Foreign Trade Exchange. Under preparation is another contract to supply Poland with the needed aviation materials.

Negotiations are continuing on cooperative production of subassemblies for the new Soviet IL-96-300 wide-body jet. It is expected that the first set of stabilizers will be produced at Mielec in January 1988.

12261

### Agricultural Aircraft To Be Traded to China

26000169b Warsaw RZECZPOSPOLITA in Polish  
22 Jan 88 p 8

[Text] As a result of the signing on 20 January of a contract between the Pezetel PHZ [Foreign Trade Enterprise] and China National Machinery Import and Export, five "Dromedaries" [aircraft] will become the property of the Union of State Agricultural Farms in Heilongjiang. By the same token, the Chinese People's Republic will become the 16th country to import Polish agricultural aircraft.

Contacts with this partner have a long tradition. During the 1950's, Polish glider pilots-instructors disclosed the secrets of piloting to many students of Chinese aviation in the "Salamanders." In 1985, aviation contacts were renewed when the achievements of the Polish aircraft industry were presented by PHZ Pezetel, one of 38 exhibitors at the agricultural exhibit in Peking organized by the Polish Bureau of Foreign Trade. In January of 1986, the following Polish aircraft were presented to 800 Chinese specialists: PZL-M18 Dromader and PZL-130 Orlik as well as a helicopter-PZL Kania.

The process of certifying the PZL-M18 aircraft by the Chinese specialists lasted 2 months but after its completion, the Chinese were full of admiration for the construction by its engineer, Jozef Oleksiak. This aircraft is a record holder in the 60-year history of the Mielec WSK PZL [Transportation Equipment Plant-Polish Aviation Plant] in terms of the number of certifications received. It has as many as eight from Canada, the United States, France, Yugoslavia, the GDR, the CSSR, Portugal and the PRC.

The Polish "Dromaderies" will appear over the Chinese province of Heilongjiang during the first days of May, whereas the training of Chinese pilots and mechanics will begin as early as during the current quarter.

9853/08309

### New Joint Venture Firms Listed, Described

26000106f Warsaw RZECZPOSPOLITA in Polish  
11 Nov 87 p 2

[Article by T.B.: "From Computers to Furniture—New Joint Ventures With Foreigners"]

[Text] (Own information) RZECZPOSPOLITA has learned that the minister for foreign economic cooperation recently issued the latest permits to form joint ventures with foreign participation. These permits were received by:

Interprint, a limited joint venture with headquarters in Czestochowa. Its Polish members are the Dzianilana Knitting Labor Cooperative in Czestochowa and the

Textilimpex Foreign Trade Enterprise. Their partner is the Danish firm of RMC Textil Group AB. The partnership will do relief-printing on knitted products.

ITHK, a limited partnership with headquarters in Chorzow will consist of the Kosciuszko Steel Mills in Chorzow and the Industrie Technik Werksanlagen from the FRG. This partnership intends to obtain and reprocess wastes from metallurgical processes and scrap metal, convert textile and chemical wastes to make textile and chemical products.

Atempol, a limited partnership in Katowice. Its Polish participants are the Hutmaszprojekt-Hopsko Bureau for Metallurgical Machinery and Equipment Design and Assembly in Katowice and the Centrozap Foreign Trade Enterprise. The foreign participant is the West German firm of Atem GmbH and the object of the partnership will be to design and program control and automation systems for industry.

Furnel International, Ltd. with headquarters in Warsaw. This joint venture consists of the Mera-Elzab Computer Works in Zabrze, the Hajnow Wood Industry Enterprise, the Great Proletariat Works in Elblag, the Krakow Furniture Factory, the Particle Board Works in Jaslo, the Bialystok District Forest Administration and the Paged Foreign Trade Enterprise. Their foreign partner is the British firm of International Computers, Ltd. or simply ICL. The partnership will produce furniture and chemical products, computers, electronic products and telecommunications equipment.

Polnishkosher, a limited partnership, was created by the Polmos Spirits Industry Enterprise in Warsaw and the Keranot Internationaler Foundation of Liechtenstein and will produce and market kosher products.

A total of 9 joint ventures with foreign capital received permits while several others await the minister's decision.

On 10 November in Warsaw, there was a founder's meeting during which was signed a notarized act establishing the Stempol Control Systems Design and Program Works. This is a limited joint venture consisting of the design bureau of the Centrozap Foreign Trade Exchange, the West German firm of Atem from Bamberg and the Metallurgical Machinery Design and Assembly Bureau of the Hutmaszprojekt-Hapelko Works in Katowice.

12261

#### **Export-Import Concessions Aid Soviet Joint Venture**

26000106d Warsaw SKRZYDLATA POLSKA in Polish No 48, 29 Nov 87 p 2

[Unattributed article: "The Mielec PZL Transportation Equipment Plant Authorized for Foreign Trade"]

[Text] On 26 September, the Foreign Trade Ministry decided to grant the Mielec PZL Transportation Equipment Plant a concession to export and import products,

cooperative services and scientific and technical achievements connected with realization of a contract for direct cooperation with OKB-Kiev. The concession covers design, development and research work on a new agricultural airplane, various versions of the An-28 and in cooperation with the Voronezh Aviation Production Association, production of subassemblies for the IL-86 airbus and its successor, the IL-96-300.

12261

#### **Exchange of Poland's Foreign Debt for Capital Promoted**

26000170a Warsaw POLITYKA EKSPORT-IMPORT in Polish No 1, Jan 88 p 18

[Article by Adam Budnikowski: "Capital for Debt"]

[Excerpts] We have already written a number of times about attempts made by various countries to exchange foreign debts for capital. Increasingly more information is coming in on this subject and, therefore, the question also returns whether Poland should not take advantage of this solution as well.

The world knows at least four methods of converting debts (called swap transactions: the exchange of debt for debt (debt for debt swap), the exchange of debt for capital (debt for equity swap), the exchange (sale) of debt for the foreign exchange of a debtor country (debt for cash swap), and the exchange of debt for goods from a debtor country (debt for commodity swap).

The first transactions—surrounded by secrecy and most likely very numerous—are conducted exclusively between banks. For debtor countries, the remaining transactions count the most, particularly the most common exchange of debt for capital.

In comparison with the debt of the Third World extending into the billions, the scale of this type of operation is not large. In 1984, it was estimated (without the exchange of debt for debt) at approximately \$1 billion, \$3 billion in 1985, and \$6 billion in 1986. The entire debt of developing countries has been reduced to date by approximately 1 percent owing to the conversions, whereas the debt in relation to private banks has been reduced by slightly more than 2 percent. According to optimistic predictions, the debt of Third World countries could be reduced in this way by even as much as 15 percent during this decade.

#### **Tough Rules of the Game**

The development of a debt market is a reaction to the international debt crisis on the part of the world financial market. In wishing to ultimately reduce its debt by exchanging a part of its debt for capital, zloty or goods supplies, Poland would have to accept the binding rules of the game.

In the beginning, it would be necessary to accept the fact that the Polish debt is becoming a commodity on the international financial market. Consequently, it would bear the label "Made in Poland" but the decisions pertaining to its purchase and sale would be made—at least partially—without our participation. Poland could only promote the sale of this commodity. Yet another indicator would appear in international statistics and stock market quotations showing evidence of our economy's poor performance: the price of the Polish debt. If it were to arrange itself [debt price] on the level of the price of debts of countries with a similar degree of debt and similar economic potential, then it would probably amount to 40 to 60 cents on the dollar. Placing oneself on a kind of auction is not always easy to accept. This is proven by the strong reluctance to this kind of transaction in some social spheres of Latin America. A good example of this is Brazil which was the first to become enthusiastic about debt trade and then quickly backed out. It was stated officially that such extreme incentives should not be necessary to attract foreign capital. Ambition related considerations also played an important role. Currently, the introduction of an amendment to the Brazilian constitution is being proposed which would prohibit the exchange of debt for capital.

If in the long run Poland does decide to introduce such trade, the "commodity" can be supplied, above all, by private banks—those which were not very involved in granting loans to our country. However, if for example, Dresdner Bank—one of our larger private creditors—were to offer the Polish debt for sale, it would by the same token undermine confidence in the stability of its own financial situation.

It may be expected that the Polish debt will be put up for sale in the first place by banks located in countries where tax benefits for swap transactions exist, therefore, Western European banks rather than American.

It will be a much more difficult task to find those willing to buy out the Polish debt. The list of potential buyers includes banks, industrial enterprises, private individuals in our country and abroad, the governments of other countries as well as the Polish government. Their funds and enthusiasm for taking on this role are very differentiated.

Of course, of utmost importance is the stand of Western bankers and businessmen. Led by their own interests, they will buy out the Polish debt if they can obtain shares in an enterprise operating in Poland at a lower than nominal cost. Their calculation will be similar to that during the making of every investment outside of their own country. The deciding factor will be the assessment of the feasibility of doing business in Poland without great risk. Because of the atypical source of the capital, a potential foreign investor will also take into consideration the burden involved in the debt conversion process. However, past experiences of the world financial market indicate that such an investor may be encouraged to a small degree to invest in our country because of the low cost of the Polish debt.

The short-term chances of greater interest on the part of Western banking and industrial circles in debt trading with the idea of investing in Poland do not appear strong. In recent years, except for Polonia, we have not been successful in attracting many willing investors to our country.

The increase of the attractiveness of our country in this respect depends, above all, on the regaining of our economic balance, increasing the growth rate, and creating such conditions for foreign capital activity within the existing framework of our system, that would at least not discourage the investor from such activity. A more substantial conversion of the Polish debt into capital will not be possible without a clear, unencumbered process.

### Not Only Bankers

Is this the end of potential contractors? I believe that a certain part of our debt could be bought out by our Polish citizens who have hard foreign currency at their disposal. The course of this type of transaction could be the following: Through our own or a foreign bank, the buyer purchases our country's debt in foreign exchange with an appropriate discount in a bank that is Poland's creditor. He presents the obtained bill of exchange at the Polish National Bank. Here, according to his wishes, for the bill of exchange in dollars he may receive cash, government securities in zloty or shares in an enterprise.

Such a trade should be strictly supervised by the bank in accordance with the accepted goals of economic policy, and particularly the need to prevent inflation. As in other countries, appropriate incentives ought to be created for the signing of such agreements. In the case of the concretization of the rate of exchange of the zloty this could be, for example, in the form of a discount on the purchase of stock or cash with bills of exchange in dollars as well as appropriate interest on securities.

Besides businessmen, bankers, and Polish citizens with foreign exchange, our government could also act as a buyer (through, e.g., agents-brokers). Overlooking the moral and political evaluation of such a step, this would be justified in an economic sense only under the assumption of the price inflexibility of the demand for the Polish debt. Otherwise, although such purchases would directly cause a drop in the debt, they would result in an increase in the cost of the Polish debt by raising the demands which in turn could lower the demand of other countries and buyers for it.

A different role could be played by the governments of other countries. In the report already quoted in POLITYKA and prepared by the news service of the Congress of the United States, "Poland's Renewal and U.S. Options," it is suggested that the American government could exchange a part of this debt for zloty which in turn could be used for the implementation of selected investment projects in Poland. This move along with the change proposed in the same report in the regulations

pertaining to the necessity of maintaining by American banks of reserves in the amount of 50 percent of the Polish debt could, according to the authors, also urge private banks to set similar business transactions in motion.

### Is It Worth the Trouble?

The conversion of the debt for capital has many proponents in the Western financial world. They point out, not without pride, that with the high degree of inertia exhibited by governments, the market has once again created a solution, which may not be perfect but, after all, assures the reduction of the debt and may lead to the flow of foreign exchange to countries in debt. At the same time, it is sharply criticized in academic circles. Its opponents fear, above all, a rise in inflation, the locating of capital in a way that would be discordant with national priorities, and the lack of additional influx of capital.

How would the account of profits and losses look under Polish conditions? Undoubtedly, a crucial benefit would be the lowering of the debt. At present, it is difficult to present any figures. In any case, in taking into account the current ratio of foreign capital to investing in Poland as well as the declaration of banks and governments to date, this would not be of large proportions at first. The same applies to the citizens of our country.

After a longer period of time this situation may change. Assuming the introduction and putting into practice of the assumptions of the second phase of the reform, a general improvement of the state of our economy and a well conducted conversion program—the benefits could increase. However, the experiences of other countries and the predictions of the entire world economy indicate clearly that swap transactions may allow the lowering of the debt by at the most a dozen or so percent.

To allow the possibility of converting the Polish debt could have positive side effects in the form of the concretization of the zloty exchange rate, the acceleration of its exchangeability or the reformation of the rules pertaining to the activity of foreign capital in Poland.

On the other hand, what would be the negative consequences of the conversion program? First of all, the external debt would become an internal debt. The lowering of debt is achieved, among other things, by increasing expenditures of the budget which in every system is most easily balanced through the additional issuing of currency. It may be assumed that such a dangerous situation could occur in Poland particularly in the case of the widespread practice of exchanging debts for domestic currency (debt for cash swap).

The conversion of the debt can also hinder access to new loans or may complicate the process of extending the due dates for the repayment of the debt. The sale of part of the Polish debt by a specific foreign bank means its

diminished interest in cooperating for the future total solvency of the debtor. The bank will be less willing to grant new loans or extend the due dates for their repayment. There is also no guarantee that the new holder of the debt will not be interested in, above all, exchanging it for cash as soon as possible or using it for purposes of speculation.

In sum, the account of profits and losses is not unequivocal, above all, because to a large extent the potential benefits as well as risks have an indirect character. The direct benefits may be relatively small and moreover are difficult to calculate. Therefore, in such a situation, is it worth it to reach for this method of lowering the debt and acquiring foreign exchange? I would think it is. Economic activity, particularly if it is carried out under conditions of a lack of external as well as internal balance is never free of risk. In this case the fact, among others, that there are no other more reliable options of lowering the debt on the horizon speaks for its acceptance. Moreover and perhaps more importantly, the risks associated with the eventual start of the exchange of the Polish debt for capital or cash may be avoided by drawing conclusions from the experience of other countries and by carefully preparing the eventual debt conversion program.

9853/08309

### Wroclaw, Wiesbaden Become Sister Cities Despite Protests

26000106a Warsaw TRYBUNA LUDU in Polish  
7-8 Nov 87 p 5

[Article by correspondent Eugeniusz Guz: "City Partnership: Wroclaw-Wiesbaden"]

[Text] Polish Press Agency Correspondent Eugeniusz Guz writes: A city partnership agreement reached and approved several months ago between Wroclaw and Wiesbaden was finally confirmed after lively discussion by the Wiesbaden Town Council on 5 November. This now legalizes the 6th such partnership between cities in Poland and the Federal Republic of Germany and follows those formed between Gdansk and Bremen, Torun and Goettingen, Krakow and Nurnberg, Poznan and Hanover and Gdynia and Kiel.

Wroclaw is the first city on the recovered western territories of Poland that has established a partnership with a city in the FRG and for that very reason, the negotiations were often disrupted by German revisionist groups. They did everything possible and even launched a press campaign to prevent this partnership and demanded that the agreement replace "Wroclaw" with the German name of "Breslau". The revisionists claimed that the partnership agreement would be tantamount to Wiesbaden's recognition of Wroclaw as a Polish city.

However, the Wiesbaden city officials did not allow themselves to be swayed by this campaign in which revanchists literally accused them of breach of faith and dishonor. A small majority of the SPD and Green Party votes approved the agreement.

The dissatisfaction of the revanchists was obvious and Herbert Hupka expressed that dissatisfaction in the name of "Silesian Compatriots". This group felt that by torpedoing the agreement, they could also disrupt the Polish Days that the governments of both countries are sponsoring in Wiesbaden in the middle of November.

12261

### **Subsidies Continue To Increase**

26000106b Warsaw TRYBUNA LUDU in Polish  
9 Nov 87 p 4

[Article by MS: "After Reading the '500 List'—Subsidies Are Growing Instead of Dwindling"]

[Text] The latest edition of the "500 List" does not, unfortunately, incline one toward optimism. Changes in the functioning of industry and the financial results of enterprises are being too slowly accomplished. It is even the case that negative signs are becoming more intense. This is true, for example, of subsidies which are growing instead of declining.

In the first half of this year, subsidies to enterprises on the "500 List" have grown. In comparison to the same period of last year, these subsidies rose by 8.5 percent while object subsidies rose by 14.4 percent. There are also establishments in which the subsidies were three times higher than those received in the first half of 1986.

The greatest "devourers" were the enterprises on the first 200 places on the list. These included representatives of the chemical, metallurgical, meat-packing, fats and fodder industries. In most cases, subsidies had increased because fixed official prices were maintained despite the growing costs for several types of production.

This cannot, however, be used to justify subsidies for all firms because the provisions of this year's plan and budget state that price increases should more than ever before be neutralized by cost reductions. Meanwhile, only a few enterprises have managed to keep the level of costs below that of price increases.

12261

### **Radical Subsidy Limitations in Foreign Trade Described**

26000106g Warsaw ZYCIE WARSZAWY in Polish  
14-15 Nov 87 p 1, 2

[Article by Zbigniew Siwik: "For Exports—Profitably"]

[Text] (Own service) The latest taboo has been overthrown. The new Ministry of Foreign Cooperation is replacing the present system of export subsidies and charging imports with balancing fees with a completely new system aimed at radically limiting subsidies in foreign trade, eventually making export trade profitable and making the zloty an exchangeable currency.

Until recently, much of Polish export trade to both the first and second payments areas was subsidized. This was done by so-called balance accounting. This was supposed to be a temporary measure to correct differences between domestic prices (depending on growing costs) and prices obtained in international transactions under an unrealistic ratio of value between the zloty and dollar. Most of the temporary solutions became part of a permanent mechanism of subsidies to export trade and "taxes" on the import of many goods.

Indeed, not all subsidies for export trade violate the principles of the General Convention on Tariffs but our export trade was often accused of using rejected practices for subsidizing the prices of our goods on foreign markets.

In turn, the additional charges (having nothing in common with tariffs) levied on import products was supposed to limit the influx of goods that are also produced in Poland and sold for higher prices. This protected domestic monopolies which felt threatened by the lower prices of imported goods. The balance accounting worked against the economic mechanism by raising the prices of foreign goods on the domestic market to the same level as the same goods produced by a domestic monopoly (not counting the costs to the consumer).

In the second stage of reform, everything will be completely changed. As much as 80 percent of goods are to be profitably exported as early as next year. The strong improvement in the profits of export trade to both payments areas shows that this is a realistic goal.

Furthermore, Poland intends to present the Convention with a report that explains the present system of export subsidies and presents the new system based on the effects of Accounting Restructuralization of Export Production.

This accounting, as the name itself says, is to within a few years produce a 100-percent level of profits in all of our export trade by motivating enterprises to lower production costs and negotiating better transaction prices.

This method will subsidize exported agricultural and food products to catch economic conditions up with the export industrial products. This will amount to half of all subsidies for export and it will be systematically realized.

The second half of the subsidy can be absorbed by industrial goods but these subsidies will be allotted to enterprises rather than to their products and that is a violation of Convention principles. Nearly half of the grants-in-aid will go to enterprises that are very inefficient and can, therefore, count on high export subsidies. However, if they do receive subsidies, they will lose 5 percent of their foreign currency deductions, half of their income tax reductions for export trade and the right to receive a ministerial award. Since that will not be profitable for most of them, they will automatically stop trying for subsidies. Since the systems profits from export are enormous, they will continue to export but they will have no other choice than to replace subsidies with a real increase in efficiency (by lowering costs, for example).

Subsidies will also be awarded for only three years and will drop in value from year to year. This forces enterprises to gradually increase the efficiency of its export production to the point at which it can drop its subsidies.

In order for the mechanism to work, it is absolutely necessary to have a floating currency so that as much as 80 percent (and 100 percent in the future) of export trade will be profitable.

It is also necessary to as fast as possible drop official prices for transaction prices in foreign trade (thanks to a more realistic currency value). While roughly more than 20 percent of the official prices set last year were in foreign trade, next year, not quite 5 percent will be subject to such pricing and that will only apply to agricultural and food products.

And finally: at the beginning of 1989, new tariffs will come into effect. The currency value and tariffs are supposed to solve the problem of regulating imports and the essentially fiscal charges on imports will be finally eliminated. The competition from foreign products should motivate domestic producers so that obsolete mechanisms will no longer cut Poland off from the world market.

12261

**Enterprises To Maintain, Increase Export Levels**  
*26000169d Warsaw RZECZPOSPOLITA in Polish*  
23-24 Jan 88 pp 1, 2

[Text] The issue of trade turnover with foreign countries has been defined explicitly in the CPR [Central Annual Plan] for the current year. It is a well-known fact that exports to the first payments area should increase by 7.2 to 8 percent including exports of the machine-building industry which ought to rise by 6.2 to 6.9 percent. The

indicators are somewhat lower in trade turnover with the second payments area. However, here exports are also expected to rise by 5.2 percent including 11.1 percent in the electrical engineering industry.

With revenues from exports to socialist countries ranging between 11,400 to 11,480 million rubles, the planned import will entail between 10,900 to 10,950 million rubles. With trade turnover with capitalist countries to the order of \$7,260 million, it will be necessary to set aside \$6,060 million for basic imports. However, there still remains the repayment of debts.

So much for general assumptions. Do they have an impact on the plans of individual factories? How are the export prospects of enterprises assessed by their directors?

The "Bumar-Warynski" Plants increased their exports of power-shovels by 80 percent as early as in 1987 and during the current year they plan to "add on" another 20 percent. In "Bumar's" overall production, the share of exports has already exceeded 40 percent and is still growing. The main buyer of the "Warynski" power-shovels is traditionally the Soviet Union.

"This year," states the general manager, Jan Papis, "we have signed an important contract with China and Iran. We are also reinforcing our position on the Canadian and English markets. Admittedly, we have been maintaining our production within the existing range, i.e., 1,700 power-shovels annually. However, this year's equipment will be much more modern, larger and more work-consuming for us."

The Krosno Glass-Works, as an exporter with a long tradition has extensive experience in this regard. It would seem, therefore, that the plans for this year's expansion to foreign markets will also be considerable. Meanwhile, the Krosno factory is only planning to maintain the level of exports from last year which constitutes 24 percent of the production value. Why? "In the case of technical glass, the obstacle lies in the possibilities of finding markets for our products," replies Wladyslaw Waszkowski, assistant director of economic matters. "On the other hand, we could sell considerably more household glassware but we have a shortage of skilled specialists for manual glass molding. And this is the kind that is most rapidly bought in the West."

Clothing industry plants are completely switching over to exports. This is also taking place at the Szczecin based "Dana" enterprise which this year plans to increase the share of exports in the value of sales from 30 percent (in 1987) to 50 percent. "However," states Ryszard Rybarski, assistant director for administrative-trade matters, "exports are keeping 'Dana' alive. If it did not have exports and reduced tariff rates associated with this, it would probably be necessary to close down the entire enterprise."



"In order for the employees to earn more, 'Dana' is, therefore, forcing exports, all the more that it is not lacking clients."

9853/08309

### **Professor Views Debt Exchange as Supplemental Solution**

26000170b Warsaw *RZECZPOSPOLITA* in Polish  
15 Jan 88 p 2

[Interview with Professor Boguslaw Jasinski, director, Center for Research on Debt and Development, Jagiellonian University, by Zbigniew Krzysztyniak]

[Text] [Question] Adam Budnikowski's article "Capital for Debt," which appeared in the *POLITYKA—EKSPORT-IMPORT* supplement of the weekly *POLITYKA*, was met with great public interest.

In it, the author presented the concept of exchanging the foreign debt for capital. This PAP reporter spoke with Prof Boguslaw Jasinski, director of the Center for Research on Debt and Development at the Jagiellonian University, about such undertakings.

[Answer] The substance of such transactions is based on the fact that the creditor sells his liabilities to a broker-agent which most often is a bank. In turn, the latter finds a firm interested in making investments in the country of the debtor.

[Question] What are the advantages of such a solution?

[Answer] The advantage for the creditor is that he divests himself of troublesome liabilities. The benefits for the agent are in the form of profits on the discount whereas the firm that buys the debt has relatively inexpensive capital funds at its disposal.

[Question] How does the debtor come out in all this?

[Answer] He gains the possibility of an increased production potential and the reduction of the overall debt amount. The sale of a debt is accompanied by certain negative economic phenomena. First of all, the debt exchanged for capital expressed in local currency is a source of additional inflation. Secondly, such an operation is not associated with the influx of new funds from abroad—something which is very important to debtor countries. It is not by chance, for example, that Argentina or Brazil are making efforts to have this exchange of debt for their own currency be accompanied by new credit and in amounts no smaller than the bought out debt. This last solution, undoubtedly, contains certain advantages for the debtor country because it makes possible the influx of new capital.

[Question] Therefore, how do you evaluate the concept of selling debt?

[Answer] Even though it carries a lot of weight, I believe, however, that the method of solving the debt problem on a general scale cannot be based on it. It cannot be widespread, among other things, because along with its implementation there are also obstacles such as finding the right investor who would want to invest in the appropriate debtor country. On the other hand, I believe that in the case of Poland such a solution is best suited as a supplemental method of repaying the debt.

9853/08309

### **Competitive Credit Banks, Independent Enterprise Ties Planned**

26000169a Warsaw *TRYBUNA LUDU* in Polish  
18 Jan 88 p 4

[Text] The Export Development Bank [Bank Rozwoju Eksportu] has been formed. Since 1 November of last year [1987], PKO [Polish Security Bank]—a bank whose basic task is providing comprehensive credit and deposit services to the public, has been functioning again as an independent entity. These are the first elements of the changing bank system in our country.

What is of importance is that it [bank system] be adapted to the new image of management, which is forming within the process of the implementation of the principles of the second phase of the economic reform, and that banks be able to fulfill their functions as stimulators of economic activity and guardians of economic laws.

During the current year, the process of the transformation of the bank system's structures will take on greater intensity. It is projected that from 1 May 1988 independent competitive commercial credit banks will begin to form on the basis of operational NBP [Polish National Bank] branches. These will be banking institutions with a universal character of operation and will be located—at least during the first phase—in the country's largest cities with the right to operate in the entire region of Poland. The credit operations of the commercial banks will be based on self-financing.

We as yet do not have more precise information regarding the functioning of the commercial banks. We were informed that work is continuing at the NBP on defining the statute of these institutions. It will conclude at the end of February and at that time we shall inform our readers of the specific solutions.

However, it may already be said that the reconstruction of the banking system should serve the establishment of more partner-like relations between banks and industrial enterprises. It is planned that from 1 January 1989, enterprises will obtain the right to freely choose the bank with which they want to do business.

Therefore, the decentralization of the banking system should create suitable conditions for the accumulation and flow of capital and funds and should facilitate the restructuring of the national economy.

The Polish National Bank [NBP], which will discontinue performing the function of a deposit-credit bank (this task will be taken over by, among others, commercial banks), will fulfill the role of a "bank of banks." Thus, it will oversee the cohesiveness of the entire banking system and, among other things, the assurance of the implementation of a specific financial policy and credit discipline. The NBP will have an influence over commercial banks by means of economic instruments.

Among other tasks, the NBP will be the only bank to also concern itself with the country's monetary policy.

9853/08309

#### **Sejm Commission Favors Modifying Policy on 'Polonia' Firms**

26000169c Warsaw *RZECZPOSPOLITA* in Polish  
23-24 Jan 88 p 2

[Text] (Own source). The activity of foreign small manufacturing enterprises or, briefly speaking, 'Polonia' firms, was the topic of deliberations of the Domestic Market and Services Sejm Commission on the 22nd of this month.

According to data for 1987, economic activity was conducted by 677 enterprises with the majority of them in the capital province followed by the provinces of Poznan, Lodz, Krakow, Katowice and only in one—Konin no foreign enterprise has been created to date. Their share in the value of sales within the scale of the entire economy continues to remain small and amounts to only 1 percent.

In presenting proposals arising from ministerial inspections, Deputy Krystyna Wawrzynowicz (SD) [Democratic Party] pointed out the barriers which result in that 'Polonia' firms are not very willing to introduce modern technology, are not undertaking production favorable to the national economy, and are not developing exports. In first place, we ought to mention the obligatory 80 percent income tax scale; next, the obligation of reselling 50 percent of the foreign exchange obtained from exports as well as the quite rigid regulations and formal hindrances.

This situation was the topic of deliberations of the Council of Ministers Committee for Economic Cooperation with Foreign Countries. The decision was made to conduct a modification of the current legal system, thereby creating better conditions of development for 'Polonia' firms taking into consideration particularly the second phase of the economic reform.

During the discussion, the deputies spoke in favor of the necessity of accelerating these changes and creating conditions for the investing of foreign capital in Poland.

Thought was also given to whether the general philosophy in the attitude toward foreign small manufacturing enterprises should not be changed. The philosophy that is adhered to currently has its roots in the 1970's. Today we are concerned about other things—above all, the export of highly processed, good quality goods and supplementing production and services in those areas in which gaps exist.

The following took part in the discussion led by Alojzy Bryl (SD), chairman of the Domestic Market and Services Commission: Deputies Mieczyslaw Osika (PZPR), Zdzislaw Skakuj (no party affiliation), Henryk Szablak (PZPR), Stanislaw Fabisiak (PZPR), Danuta Kubik (ZSL), Jozefa Palmowska (PZPR), Zofia Czaja (PZPR), Krystyna Zielinska-Zarzycka (PZPR), and Krystyna Czubak (SD).

9853/08309

#### **Disciplinary Action for Low Work Quality Encouraged**

26000106e Warsaw *TRYBUNA LUDU* in Polish  
10 Nov 87 p 2

[Article by Elzbieta Kutyna: "They Pay and...Bungle It"]

[Text] The low work quality of the people directly involved in production is one of the chief factors in poor product quality. The other causes are neglect of technological norms and specifications, use of the wrong measurement tools and poor supervision by managers, departments and quality control services.

These were the conclusions of an audit of products from various industries that was conducted by the Polish Committee for Standardization of Measurements and Quality. For example, in the first three quarters of this year, the committee examined 25 lots of flour and flour products, 19 of which they rejected. It looked at 740 samples of milk and milk products and rejected 261 of these and also rejected 100 out of 708 samples of meat.

The situation is much the same with non-food items. Some 29 out of 78 sampled articles of clothing, 41 out of 129 knitted and hosiery items and 53 out of 118 samples of construction material were all rejected for bad quality. Such a waste of human work, materials and money!

The committee's data indicates a lack of discipline and supervision and neglect of standards in most of the monitored establishments. Products are dishonestly classified to produce greater profits and there is no connection made between worker wages and the quality of their work.

The list of sins is a long one. But what are the consequences? In just the first three quarters of this year, disciplinary sanctions were administered 298 times and 86 of these involved management personnel, 230 cases were referred to misdemeanor collegia, 76 of which involved management, and some 10 cases were taken to court. There were 1312 persons fined a total of 1,798,000 zlotys and 58 cases in which production was stopped.

Will such disciplinary measures make others take greater care in their jobs? We will see.

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## YUGOSLAVIA

### Radical Proposals Heard at Economists' Gathering

28000056 *Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian* 13 Dec 87 pp 13-14

[Article by Scepap Rabrenovic: "Economists: Ill Humor in Opatija"; first paragraph is introduction]

[Text] Why was there more discussion at the gathering of economists in Opatija about Stipe Suvar's speech in Kumrovac than about the Draft Resolution for the Coming Year?

On the third day of the meeting of Yugoslav economists held last week, the hall in the Adriatic Hotel in Opatija was half empty. Some participants had returned home the day before, and others had headed for the border to see whether what they had heard in Opatija was true: that coffee and a sandwich in Trieste cost 20,000 dinars. They found out—the story was no lie.

The only ones left at the meeting were those who had to be there, such as those who had not been able to get a ticket to return earlier. Not even any prominent officials, who generally sit in the front row, were left in the meeting hall on the third day.

Chroniclers noted that in the year of our Lord 1987, the traditional gathering of Yugoslav economists on the government's development plans for the coming year took place in an atmosphere of ill humor. Everyone was ill-tempered, both those who spoke and those who listened. But not so much because of a feeling of powerlessness. For years now, economists have tried to convince officials that what they are doing and the way in which they are doing it is no good; for years they have been sending them messages, but the officials keep on doing things their own way.

This time as well, the representative of the Federal Executive Council promised that things will be better in the year ahead, that there will be a rise in social product, in industrial and agricultural production, in productivity and even in the standard of living. The same thing was promised last December, in the very same place. In view

of the economic plunge experienced this year (instead of three percent, social product rose all of 0.6 percent, and inflation approached the 200 percent level), it appears that the government is depending on promises alone.

### Only the Beginning

This relationship to science might explain why the meeting in Opatija this time was not attended by the most prominent economists from Belgrade, Ljubljana, Titograd and Skoplje, the very people who drew up the Long-Term Program of Economic Stabilization. (The Zagreb delegation, like the proper host, was complete). And why would economists come to Opatija anyway? Whatever they had to say was said in the elaboration of the program.

Even in their absence, the gathering got off to a great start, thanks in particular to Mr Marjan Korosic of Zagreb and Mr Tomislav Nikolic of Novi Sad, who received thunderous applause for what they said. Among other things, Korosic demanded a transition to an open economy that presupposes repeal of the Associated Labor Act, cuts in all budgets and the abolition of the Fund for the Development of Less Developed Republics and Kosovo. He also called for study of the question of whether Yugoslavia can enter the European Economic Community while preserving its socialist structure. Nikolic argued that an economic system cannot be valid if it is not based on solid money.

The mood of the majority of Yugoslav economists was not influenced by the criticism of Korosic and Nikolic—who were not mentioned by name—that was offered by their chairman, Mr Tomislav Bandin, who said that the two were advocating the "recapitalization" of socialism. Bandin's remarks were more political than economic. The same was true of those economists who sharply opposed abolition of the Fund for the Development of Less Developed Republics and Kosovo. Such economists, whose thinking is dependent on local interests, have always existed.

But most of the "credit" for the fact that the gathering did not continue as it had started goes to a member of the Presidency of the Central Committee of the LCY Stipe Suvar, even though he was not present in Opatija. Specifically, on the second day, the Zagreb daily VJESNIK was a very sought-after newspaper after it published a report under the headline "League of Communists—Creator of New Social Consciousness" from a political conference in Kumrovac at which it became clear that Stipe Suvar does not agree with what the majority of the most prominent Yugoslav economists think.

### Repercussions From Kumrovac

According to VJESNIK, Suvar said the following at Kumrovac: "Even today, we read categorical, frequent demands, which moreover receive outstanding publicity, to the effect that the Associated Labor Act should be

repealed in its entirety as a primary obstacle to the modern self-management of autonomous economic subjects, as well as demands that the entire 1974 Constitution be abandoned because it has ostensibly shattered Yugoslavia, it has led to "refeudalization," and it and its changes have imperilled socialism in Yugoslavia. The self-association of labor is being declared nonsense, fiction."

He continued: "Those things that are being understood as association of labor are mistakes. We ostensibly must accept 'the central fact of the life of production,' and this 'is not association' but rather 'the striking of a deal!' Because 'association is a typically political act, while economics, on the other hand, revolves around business deals.' It is thus important to engage in business regardless of the political economy or of criticism of the political economy. In the style of these and similar messages, a barrage has for some time been opened up against 'the desire of the Party to play a leading role in the economy as well,' since the economy is supposedly apolitical. In the style of the great traditions of vulgar bourgeois economics, persistent demands are being made that the tyranny of politics over economics be ended. But how is it historically possible to do away with the worker other than to replace him with the associated worker, the worker who is finally assuming leadership of social reproduction from capitalists and all their derivations?"

Thus, Stipe Suvar, who is one of the two possible candidates for president of the Presidency of the Central Committee of the LCY for the next term, attempted to return the science of economics to a time that has been overcome by the Long-Term Program of Economic Stabilization. Or it appears to have been overcome. In Kumrovac, at least according to the report in VJESNIK, Stipe Suvar did not mention "the market economy," and for this reason fiercely defended the association of labor. Even first-year students at a business school know that labor is a natural category and that the "exchange" of it is nothing different in a natural economy: I give you wool and leather, you give me gas and light.

The economists were unable to remain indifferent to this assertion, and spent more time discussing it than the Draft Resolution for the Coming Year. Indeed, the economists were able to fall back on the Resolution of the 13th Congress of the League of Communists of Yugoslavia and on the Long-Term Program of Economic Stabilization, two documents that are not in agreement with what Suvar said in Kumrovac; in fact, the official creators of policy even pass over these two documents.

Thus the reason for the ill humor of the economists, as well as the question: What would have to happen for it to be understood that socialism and the market economy are not at odds with each other? Mention was made of Zagreb worker Anda Grbic, who has become a synonym

for Yugoslav poverty (She is an unfortunate woman who professes that after settling all her debts she has just enough money to buy a kilogram of bread, a liter of milk and one egg per day.)

If economists are able to agree on anything, then it is that they will not be subject to politics: that politicians should "give meaning to the system," and then instruct the economists to "confirm it scientifically." And that as the definitive truth.

### How Into the Twentieth Century?

All of the participants at this gathering in Opatija, that former grand lady of Yugoslav tourism, must have been certain that almost all Yugoslavs will soon find on their dining room tables only that which Anda Grbic currently has on hers. Opatija is one big socialist-realism painting convincingly drawn by the decline of the Yugoslav economy. In the magnificent hotels that remember large numbers of guests, the working class of Europe relaxes while paying low prices like those paid long ago, after the war, by the working class of Yugoslavia. There is only one difference: All the hotelkeepers in Opatija have more education and more qualifications than their guests.

We heard a story in Opatija that during the winter, old men and women from West German retirement homes will stay there. The Germans have in fact figured out that it is cheaper for them to move to retirement homes in Opatija than to pay the expenses for the same homes in Germany. Because of this, workers in Opatija are not thinking about how to bring in the 21st century. They are thinking about how to return to the 20th century.

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### Prospects of Armament Industry Viewed 28000063 Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian 20 Dec 87 pp 14-16

[Article by Milosic and Aleksandar Pavic: "The Armament Industry: Your ZINVOJ and Mine"]

[Text] The unified Yugoslav armament industry, one of our government's latest offspring, is still operating well and offers the best proof that all is not lost.

Let us recall that there are 29 million men under arms on planet Earth, and the number of dollars spent on armament by the armies of the world runs into the trillions. Yugoslavia exists in such a world, and it is entirely logical that it also should spend for weapons, and that it should produce not just for its own needs but sell as well. There is nothing shameful in its doing so, and this fact should be borne in mind in any serious analysis of the operation of our armament industry. Anything else is merely utopian dreaming and remote from any reality.

The time for eulogies is past, and another age has arrived. As is logical, our weapons are neither much better nor worse than the average weapons made throughout the world. However, although many bitter words have poured forth over the last two or three years against and for our military industry, very little is as yet known about this area of the Yugoslav economy even though essentially there is nothing special about it.

### Everything According to Law

The workers in the factories working for the military go on strike, replace the directors, and nothing more is done to guarantee successful operation. The special laws regulating certain questions relating to military industry exist because of the very nature of the business (security and the like), but all the laws which apply to industry, from the accounting system to the law on employment relationships and the associated labor law also apply, without exception, to the Yugoslav military industry.

The backbone of the military-industrial sector is the Association of the Armament and Military Equipment Industry of Yugoslavia (ZINVOJ). It includes 52 associated labor organizations which base at least one-half of their production on military programs. This is at the same time the criterion for membership in ZINVOJ. The association has 723,000 employees working for it, and the Federate Directorate of Supply and Procurement of Special-Purpose Products (SDPR) also belongs to it. Public superintendence of the work of ZINVOJ is exercised by the SFRY Assembly (questions asked by delegates on this subject are by no means rare, and the replies are prompt, precise, and strictly confidential, just as they should be). On the other hand, the Federal Executive Council monitors the legality of operation in this "association."

To tell the truth, thanks to habits from the not so distant past, it is difficult and complicated for information on the operation of the ZINVOJ and SDPR to reach the public, but this journalist ventures to observe that there are indications that the situation today is really better than it has been in the past. The labels "military secret" and "strictly confidential" are less often used, because military and political officials are becoming increasingly aware of the senselessness of concealing open "secrets" from this same public.

In a recent interview given to NON, ZINVOJ president Velimir Radivojevic stated that "only 25 percent of development in military industry is specifically military in nature. The remaining 75 percent can be put to wide use, but of this 75 percent only 35 percent is used in other work in the economy."

It is clear that, at least because of military considerations, the remaining "normal" part of our economy is simply not capable of maintaining the technological level of the organizations in ZINVOJ. And this is entirely logical, inasmuch as for years "civilians" have drawn

lines which have taken the production under their jurisdiction to the "rubbish heap of history." Over this period the "military" has pursued a much more intelligent and more honest policy (toward this country and the coming generations), being aware that the JNA cannot renounce high standards when it comes to quality and technological state of the art of the resources in its possession, irrespective of whether they are of domestic or foreign manufacture.

### Examples

Licenses are bought, but much greater attention is devoted to independent domestic development or promotion of licenses themselves. While a solution was purchased for domestic production of the Soviet T-72 tank, the YU T-72 was soon better than the one from the USSR. A license was bought for the British Rolls-Royce "Viper" jet airplane engine, and our engineers are working wonders with it today, as if it were a Yugoslav one. When literally all the rapid-fire anti-aircraft guns of the major world manufacturers jammed in testing under desert conditions at a temperature of 60 degrees Centigrade, the 20/3-millimeter "Zastavin" kept on firing. Similar examples abound.

At the Paris aviation show 2 years ago, the nosewheel on the Yugoslav Galeb G-4 combat training plane would not lower during landing. The pilot then carefully started to land. The two rear wheels of the plane touched the runway, and then the nose slowly came nearer the concrete at a speed of 200 kilometers per hour. Slowly it touched it and scraped along it for a short distance, after which the plane came to a fine stop, with the pilot not a bit the worse for wear. The makers of competing airplanes around the world hardly expected this, and no one expected somebody from the SDPR, which was the representative of our aviation industry, to call a press conference to explain that what had happened to our G-4 was really the best proof of its qualities. It is always possible to have trouble with the nosewheel of any airplane, but there are not many training planes which can land so safely and without anything untoward happening to the pilot trainee. The G-4 gave a brilliant demonstration of all this, but the problem apparently was not with the equipment but with not overly resourceful personnel.

Both East and West want to cooperate with our armament makers, who, if need be, do not have to concern themselves merely with implements of destruction. The best examples of this are cooperation with the CEMA member countries through Sector Bureau No 16 of the Machinebuilding Committee. What are involved are programs for cooperation in production and development of a system of new-generation passenger airplanes (the Ilyushin IL-114, the Tupolev TU-204, etc); the Yugoslav military aviation industry received offers to participate in these programs over the period from 1990 to 2000.

On the other hand, work is also done with aircraft and equipment manufacturers in the West on the basis of the obligations of counterorders for goods and services connected with imports of aircraft and equipment by Yugoslav air carriers. In addition, the Soko in Mostar was to obtain a contract for assembly of De Havilland engines for the DASH 6 small passenger airplane.

It is not uncommon for the Army to give money for research and development of domestic technology, and then other advantages result from our socialist, self-managed society which are enjoyed by virtually everyone. An example is the coding system based on development in the JNA and acquired by the SUP (Internal Affairs Council), PTT (Postal, Telegraph, and Telephone Service), the SIV (Federal Executive Council), and others.

However, the opposite trends have emerged of late. In various ways, localized "civilian" structures try to impose cooperation on the military the outcome of which is absolutely unknown as regards legality, profitability, and, what is most important, quality. The discontinuance of production of a Yugoslav-made agricultural airplane, the Moma 86 (it is interesting that all this could have begun in the first place—A. P.), in the buildings of the Moma Stanojlovic military aircraft repair plant in Batajnica and the utopian longing of the Belgrade aviation industry for the virtually impossible development and production of a Yugoslav-made multipurpose helicopter (in which the JNA was not interested at the time) are examples showing that the Yugoslav military industrial sector and those who account for the money with which this sector is entrusted do not so readily succumb to the political pressures that are exerted by "civilian" industry.

The case of the BRI (again!) [Belgrade Computer Enterprise] and the failure to sell the Yugoslav-made computer system TIM to the national defense secretariats of Serbia and Belgrade offer splendid illustration of the principle that quality must be beyond political and economic compromise when quality is involved.

#### Export

It has been repeated countless times in the past by official sources in this country that Yugoslavia neither sells nor distributes foreign weapons outside its policy of weapon selling.

"No illegal trade in weapons whatever takes place through our country, and weapons are not sold to areas of armed conflict and non-national regimes. We honor our agreements to the letter in the matter of transfer of technology. As buyers of a number of licenses, we have never sold anything and we have never had permission to sell licenses. It is a question here not only of good business relations and of interests inasmuch as we are in a situation such that we will also need something from these technologies tomorrow." Such was the flat denial

made by the president of ZINVOJ to Western press statements to the effect that both Yugoslav weapons and the technology for these weapons are going from Yugoslavia to certain countries with which the West does not have good relations. It should be noted that these were "allegations made by the press rather than the official political position of the countries in which the allegations were made."

#### Everything That Fires

In selling in the markets of third world countries, the Yugoslav policy of non-alignment, other conditions being equal, is an advantage in marketing of Yugoslav weapons and military equipment. However, it is by no means easy to achieve a footing of equality with other world arms makers.

"The laws of supply and demand, it seems to me, operate much more strictly in this type of production precisely because products of top quality must be offered in a specific market," was the statement made by Vukasin Filipovic, director of the Zastava Special-Purpose Product Factory in Kragujevac, to the journal EKONOMSKA POLITIKA.

Hence it is not surprising that this company offers a complete assortment of weapons of the more important calibers currently to be found around the world, from the Soviet 5.45-millimeter weapons to the 7.62-millimeter weapons of the NATO alliance. To these are to be added weapons of certain exotic calibers.

However, the Zastava will replace its earlier production program completely by 1990, and the decline in earnings of Zastava employees in 1986 was 8 percent. This decline was much smaller in other plants.

"It is not possible to ensure survival in the marketplace without adequate development, and this ultimately leads to the conclusion that our special-purpose industry does not lead a life of ease under the broad umbrella of the government or the federal budget," concludes Vukasin Filipovic.

It would be ridiculous to state that the Yugoslav military industry is perfect and free of faults, but it obviously is better than the remainder of "civilian" industry. Stronger organization, cooperation at the all-Yugoslav level, and orientation toward scientific research work are not empty phrases. They are facts enabling the Yugoslav military industrial sector as a whole to earn around 2 billion dollars in foreign exchange every year.

This truly is no disgrace in the times and world in which we live.

### Specialists Queried About Serbia's Energy Reserves

28000080 Belgrade NEDELJNE INFORMATIVNE  
NOVINE in Serbo-Croatian 24 Jan 88 pp 24-26

[Article by Toma Dzadzic]

[Text] Even now it is certain that Serbia proper will not be building nuclear power plants even in coming years. This conclusion can be drawn from the program just adopted (by the republic Executive Council) of measures to develop new sources of energy and renewed sources of energy in Serbia over the period 1986-1990.

As a matter of fact Serbia has altogether sufficient reserves of existing conventional forms of energy which still have not been sufficiently utilized, and it will not have to build nuclear power plants even over a somewhat longer period, after it has entered the 21st century.

Counting on the possibility of economic utilization of coal reserves in SAP Kosovo and hydropower potential, Yugoslavia as a whole has enough energy to meet the needs of the entire country, so that even at the beginning of the next millennium it will not have to build nuclear power plants. That is at least the statement made in the proposed version of the federal document "Program for Development of the Fuel and Power Industry in Yugoslavia up to the Year 2000," which has reached the SFRY Assembly.

The same is also asserted by Momcilo Simonovic and Nenad Djajic, professors at the School of Mining and Geology of Belgrade University who are extremely well-versed in our energy situation.

Aside from his 27 years as a university professor, Professor Simonovic has also worked in the petroleum industry and in the power industry, as well as in the field of coal, and he is now in fact a member of the Committee for Fuel and Power. He was also a member of the working group for drafting the Long-Range Program for Development of the Fuel and Power Industry in the SFRY as part of work on the Economic Stabilization Program.

In referring to this optimistic view of the energy situation, in speaking to NIN they did not take into account the new coal deposit at Sokobanja which has just been discovered and is a bed 25 meters thick, since its other dimensions are not yet known. Nor did they include in this balance the possible lake of "100,000 to 1 million tons" of petroleum which is suspected on the basis of the first tests under Stig, near Pozarevac.

### Tempo's Petroleum

If the sizable funds are furnished for further explorations, the press says that the first Pozarevac petroleum can be expected in just a year.

"But it is one thing to discover petroleum, and that says nothing at all about whether that petroleum can be brought to the surface," Professor Simonovic said in explanation of his reserve. "Back in 1951, for instance, Svetozar Vukmanovic Tempo, who was then Yugoslavia's energy minister, filled a bottle with petroleum taken from an exploratory well at Buljarica in Montenegro. He went around Belgrade showing people that bottle as evidence that there really was petroleum in Montenegro, but that petroleum at Buljarica never came to the surface. There are many circumstances involved here, the most banal of which is the lack of the necessary natural pressure that now is the only possibility for bringing the petroleum up. In any case, no deposit can be evaluated even approximately until enough investment is made for normal exploitation of at least a few years.

"But if Serbia proper does not have a leader of its own petroleum at present, it is certain that it has enough coal so that it could use it for heating even at the beginning of the next millennium," runs the opinion of Professor Simonovic:

"Serbia proper has its largest energy reserves for the production of heat in the lowest grade coal, lignite. Counted in physical volume, they amount even to about 90 percent of the total mass. In second place is brown lignite coal—8 percent, while the brown and bituminous or better coal in Serbia amount to only 2 percent."

In addition to the fact that there is very little of the better-grade coal, it is not even concentrated in one place, it is deep underground, usually lodged between rocks, and often there is a high quality of explosive gas—methane. In other words, mining that coal is not only difficult and expensive, but also dangerous. The largest gas explosions have been in underground mines with precisely this kind of coal: "Soko," "Vrska Cuka," "Aleksinac," "Bogovina," "Ibar Mines."...

The production of this coal is relatively small, and in the long-range program for Serbia's energy development its consumption is envisaged only in areas within a radius of 200 km, where its price would be affordable.

### From Farm Fields to Strip Mines

In order to take advantage of that brown coal plans in Serbia call for the domestic industry to manufacture two types of boilers with turbines for the production of heat right at the mines, whence it would be transported to nearby medium-sized cities such as Cacak, Kragujevac....

It is much cheaper and simpler to mine the low-calorie lignite since it is located in large concentrations in the Kolubara Basin and near Kostolac, and it is almost on the surface.

While in Kostolac approximately 4 cubic meters of overburden has to be removed and in the Kolubara Basin 3 cubic meters per ton of coal, in Kosovo only 1 cubic meter of overburden has to be removed to get a ton of the black treasure.

Branko Belic, NIN photo reporter, says that he has seen peasants in Dobro Polje in Kosovo frequently cutting lumps of coal in plowing their fields. They simply cannot plow deep or they would turn the field into a strip mine.

These natural conditions, Professor Simonovic explains, make it possible to use highly productive machinery and to take advantage of high productivity; over the last 20 years several strip mines have been opened in Serbia with productivity higher than the European level. As a consequence, Field D at the Kolubara strip mine has an output of 19 million tons of coal a year, the mine "Tamnava East" produces 14 million tons, and "Tamnava West" is being opened with an expected annual output of 7-10 million tons of this coal. Nor, of course, is the output negligible at "Kostolac-Drmno" with 7 million tons and "Cirikovac" with 3.5 million tons of coal.

"Kosovo has 50 percent of this segment of Yugoslavia's energy potential, but under the constitutional arrangements dating from 1974 and the Law on Associated Labor, every republic and province independently decides the manner in which this mineral is to be used. That is the main reason (aside from prices)," Professor Simonovic explains, "why for 4 years now there has been no success at all with social compacts to build several thermal electric power plants in Kosovo with a total generating capacity of about 2,100 MW, on which for years the fuel and power people from Slovenia, Croatia, Macedonia, Serbia proper, and the two provinces have done nothing except to work at reconciling their views."

This "blockade" of the country's energy system, according to Professor Simonovic, could be resolved by adoption of authentic economic measures so that the energy system functions as an economic whole. But also that the energy system be a technical-and technological and economic whole of Yugoslavia.

"This way, for the present, neither Kosovo nor Vojvodina have even been polite enough to answer the invitation to take part in drafting a joint strategy for development of Serbia's fuel and power industry up to the year 2020."

The electric power industry of Serbia proper is the only one in Yugoslavia operating without losses, and it even has been financing 60 percent of its own development from its own resources.

Now that we are talking about investments, it would also be worthwhile to invest a few dinars in cleaning the air from the chimneys of thermal electric power plants. NIN was told that it is true that this would add perhaps another 15-17 percent to the price of power, but then

Professor Hrvoje Pozar, professor at Zagreb University and member of the academy, also a well-known energy specialist, would have had no reason to make the declaration which he long ago did in VJESNIK, if memory serves, approximately to the effect that "we should be happy so long as they are sending us clean power, and the pollution remains far away down there at the thermal electric power plants."

It is precisely because gas scrubbers are not installed that the specific investments at our thermal electric power plants are about 30 percent less expensive than those in the West.

#### So Long as the Foreigners Refrain....

The trouble is that no matter what kind of power is produced from coal, its reserves are not inexhaustible. Possible new discoveries of large deposits of this mineral could improve the energy situation, but not perhaps to relieve us for the foreseeable future of the risk that comes with the operation of nuclear power plants.

That is the opinion of Professor Simonovic, who for that reason judges that even now it would be worthwhile to make larger investments in explorations for deposits of nuclear fuel. "Otherwise we might one day have to become dependent upon foreigners, since at the beginning of the next century we will have to build nuclear power plants," he says.

Unless Kosovo coal is used to produce energy, Prof Momcilo Simonovic is even convinced that the nuclear power plants will have to be built even much earlier in Slovenia, Croatia, Macedonia, and Vojvodina.

The professor is aware that we will inevitably have to pay for this "luxury" with foreign equipment and foreign experts and especially foreign credits and with an uninterrupted purchasing of fuel from abroad. Which is not even to mention the unnecessary risk of radiation.

However, in a situation when throughout the world they are refraining from construction of new nuclear power plants (they are only completing those already begun), except in the countries of so-called real socialism, it certainly would be the largest of all the bad investments Yugoslavia has made to go head over heels in debt for a risky and already outdated nuclear technology. Everyone is waiting for scientific innovations in this field.

Nenad Djajic, professor of thermodynamics at the School of Mining of Belgrade University, one of the authors of the republic program referred to, deems it indispensable to explore and develop alternative sources of energy as well: geothermal, solar, wind, biogas...those, then, which can be used in Serbia.



At present, these sources of energy are being used mainly to heat water up to 70 degrees in hot-water heaters, for heating and for other low-temperature needs, and indeed also as local sources of electric power.

Investments in these installations continue to be less cost-effective than investments to use conventional sources of energy. But certainly as the technology improves it is inevitable that the prices of the necessary investments in these renewable sources of energy will begin to drop.

Solar energy is used in Serbia mostly in private buildings. Geothermal energy, Professor Djajic says, is also being used insufficiently in Serbia.

### Other Arguments

Hot water from underground is now being used mostly for heating and balneological and recreational purposes in Vranjska Banja, Sijerinska Banja, Ribarska Banja, Josanicka Banja, and Niska Banja.... Professor Djajic reveals that this energy could have great importance in Macva as well, in the vicinity of Belgrade.... According to certain estimates, hot water from underground in Serbia could replace all of 50,000-100,000 tons of petroleum a year (a ton of petroleum costs \$120-150). But that kind of saving can be achieved only if this unquestionably large potential is first explored.

There is still much more talk about the importance of biomass than application to obtain energy, Professor Djajic remarked. According to unreliable statistics, it has a share of only about 1-2 percent in total energy consumption, although the specialists believe that it actually amounts to 7-10 percent.

One of the very important components of Serbia's energy potential is its oil shale (which has so far been discovered at Aleksinac, Krusevac, Valjevo, and in other regions of Yugoslavia, from which it is possible to produce only petroleum that is not commercially feasible.

Wind could also be one of the possible sources of energy, mainly in the region where the kosava blows, as well as in the mountains.

Not a single institution in the country, unfortunately, has as yet taken responsibility for organizing explorations and development of alternative sources of energy in Serbia. Yet these are sources of energy which like water are constantly renewed, by contrast with petroleum and coal, the end of which can already be seen. Moreover, with the progress of science coal and petroleum could be used more and more for the production of more useful products and indeed even for food. If we manage to save anything at all by the time the new technologies emerge.

There is inevitably another side to be heard as well about all this.

Dejan Dimov, senior counselor for energy affairs of the Economic Chamber of Yugoslavia, a spokesman for new and renewable sources of energy, reacts with the following arguments:

"First of all, all the coal deposits have not been explored, and Professor Simonovic himself recently said that there is enough coal in Yugoslavia for another 100 years. Why is it that a recognized coal specialist like him, about to retire, says that there is coal enough for only 15 years or so?! Is it possible that a specialist like him, who has taken part in the creation of Yugoslavia's energy policy in recent decades, is now saying that in 15 or 20 years, in the face of that energy collapse, there will not be enough coal and that we should count on nuclear power plants and explore uranium?"

In Dimov's words, the International Agency for Atomic Energy estimates that in 40 years there will not be commercially profitable uranium deposits either. What will we do then, and what is it that Professor Simonovic is now advocating when he does not mention many new and more economical technologies for the use of coal, a subject which earlier he spoke about on several public occasions? Why is it that now he passes so easily over coal and renewable sources of energy in switching to uranium?

Dejan Dimov also alluded to the fact that with the new technologies energy consumption is dropping off everywhere in the world. The Swedes, for example, expect that in the year 2010 they will consume the same amount of energy as in 1985.

"And we in any case are using only 38 percent of our hydropower, in which we are next to the last in Europe, although we are third in water resources."

At the same time, Dimov contests the observation of experts to the effect that the largest amounts of water are usually "unharnessable" in karst areas and adds:

"We are doing hardly any research on the capability of solar energy, while in the rest of the world they have very precise programs which call for using this power even by 1992 at prices competitive with conventional sources of energy."

Dejan Dimov's calculation seems simple: the domestic industry has already made itself capable of producing solar collectors, as indicated by the production of 30,000-50,000 square meters of these energy sources. The capabilities are much greater. He also says that with only 300 square kilometers of solar cells, which would be installed in the unused karst, Yugoslavia could obtain in toto as much energy as it is now consuming.

When this was presented to Professor Simonovic, he waved it aside: "Those are fairy tales—those cells would take up an immense space, and they would generate current only when the sun was out. Energy, however, is

also necessary when it is cloudy and at night, so that in addition to any such solar energy plant, a reserve conventional plant would also have to be built."

Dejan Dimov responds to this remark by saying that Professor Simonovic obviously is not up on scientific discoveries in the field of solar energy and concludes that Yugoslavia must not enter a nuclear program "whose possible price is unknown, although it is reliably known that the energy that will be spent on that construction and the work of such a program will be much greater than what can be obtained from it." This has supposedly been proven by a German institute in Koblenz.

The experts are obviously still not in agreement as to the premises of Yugoslavia's energy strategy, but the time and place must be found to distinguish by force of argument who is most in the right.

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#### **SFRY-Japan Economic Development Institute Proposed**

28000082 Zagreb VJESNIK in Serbo-Croatian  
8 Feb 88 p 4

[Article by Dr Zdravko Bazdan: "From Japan to Dubrovnik"]

[Text] At the School for Tourism and Foreign Trade in Dubrovnik on 4 December 1987 a Japanese professor, Dr Isao Iritani, advanced an initiative for formation of a Yugoslav-Japanese Institute for Economic Development. The purpose of establishing the institute, it was said at the time, lay in (1) promoting labor productivity and (2) applying the optimum organization of work. It must also be emphasized that Professor Iritani emphasized in the meeting referred to that the institute should strive for reconstruction of existing methods of production in small and medium-sized enterprises. It would have the task of conceiving a model that would "represent a symbiosis between the Yugoslav model in which there is no exploitation and Japan in which there is high exploitation of labor, and also work on building an economic system through small and medium-sized enterprises."

It was said at the time that the institute would be predominantly oriented toward creating appropriate specific arrangements, such as the following: personnel development, optimization of production and business operation, and so on. Professor Iritani emphasized in the preliminary talks that this effort would need to be furnished a space adequate for 30 to 40 specialists "for the transfer of knowledge—development of managers with the collaboration of Japanese specialists in this field." It was particularly emphasized that interest would focus on small business, where there would be joint ventures, which was in fact the principal purpose of his coming to Dubrovnik.

At the beginning the institute would be in the school of the university itself, until it obtained appropriate space, but he also emphasized that the institute would be permanently associated with this important higher educational institution. In conclusion, Dr Iritani offered 5 million yen as initial capital.

#### **Exploitation and Development**

Business executives in Dubrovnik emphasized in any case that associated labor would finance the institute until it made the transition to self-financing. The directors of certain hotels expressed a desire to offer the institute their hotel capacity. A representative of the Bureau for Reconstruction of Dubrovnik said on that occasion that it would be possible for them to make old structures (palaces) available.

In any case, the originator of this idea, Professor Iritani, selected Yugoslavia, in his own words, "because as a member of the Communist Party of Japan and their future deputy in Parliament he wanted to apply Yugoslav self-management socialism in solving the problem of exploitation, since self-management socialism has resolved those problems most appropriately." Incidentally, this university professor from Osaka who is very familiar with our economic system is director of the Japanese Federation for Small and Medium-Sized Enterprises, which has about 370,000 members.

After that, the entire project embarked on the normal procedure: the council of the school adopted a decision on this even by 21 December 1987. However, the physiognomy of this institution was definitively profiled at the beginning of this year in agreement with the idea's originator, Professor Iritani. That is, since every institute must have a certain number of scientists, the view was taken that it would be better to form a center that would be more operational and less scientific in nature, and it was decided to establish the International Center for Research, Innovative Knowledge, and Consulting in Dubrovnik; its shortened form: International Consulting Center of Dubrovnik (ICC).

In mid-January the purpose and aim of establishment was set forth in 10 points, and the type of activity was also spelled out. At present, an entire team is working to draft a detailed study on the socioeconomic feasibility of establishing the ICC as a work organization. Accordingly, the challenge has been taken up. We should recall that the Japanese know us well: thanks to the initiative of the Socialist Party of Japan the Institute for Study of Self-Management was established some time back. But those were those happy times when we had an impressive rate of economic growth, relatively stable prices, low unemployment, a tolerable deficit in the balance of payments, and a minimal external debt. Today the situation has deteriorated, since we find ourselves in a deep crisis. All the performances of the economic system have deteriorated.

### Competition of Forms of Ownership

That is precisely why Professor Iritani's proposal should be acted on as soon as possible. Realization of this concept would be worthwhile from several angles, since it represents an opportunity to finally halt the brain drain, when the estimates range from 15,000 to 60,000 people who have joined the present-day migration of the highly educated and capable. And not only that: we have seen that the Japanese side is prepared to station an entire professional team in Dubrovnik.

As for Japan, recently a business executive from that country, which is in economic terms the most propulsive country in the world today, Yuichi Macsude, declared in the First Yugoslav Small Business Congress in Belgrade in September 1987 that the Japanese economic miracle had been based on development of small business. All of 74 percent of the total employed labor force worked in small and medium-sized enterprises. Small and medium-sized enterprises have a share of 99.2 percent in the total output of Honda or Toyota! Even the politocratic structures in PR China have discovered that small business has great superiority over the socialized economy, since it is capable of self-generation and has a great ability to adapt to the requirements of the market. Since the Third Plenum of the CPC Central Committee in 1978, the party has been retreating from the command position. As early as 1980 special economic zones were built in the cities Shenzhen, Zuhai, and Shantou. In Shenzhen the value of industrial output rose 101 percent between 1979 and 1983! In those first 3 years jobs were given to 30,000 young people. To go further, in the small business of our neighbors the Italians 380,000 new economic entities were established in 1986.

There is the datum that if we had a highly developed small business, it could bring us annually about \$34 billion, about \$5 billion of which could be realized in tourism alone! However, the fear of enrichment and the

ideological prejudice that this is taking us back to capitalism, along with the now proverbial abhorrence of the haves, has brought about the present gap between what has been proclaimed and what actually exists.

Recently all three chambers of the Assembly of SR Croatia adopted a law making it possible to establish craft and trade establishments and to keep business books, to carry out production of prototypes, design, to generate electric power in small power plants, to prepare technical documentation and write computer programs, and render other intellectual services of an economic nature. The reference is to the Law on Self-Employment in the Crafts and Trades and on Craft and Trade Cooperatives, which is awakening hope. On 24 November of last year the Assembly adopted the Law on Amendments and Supplements to the Law on Domestic Commerce and on Services in Commerce.

This made it possible for individuals engaged in retail trade to replenish their assortment in their stores with products from private producers in the future.

The law will also make it possible for private merchants to obtain documentation more rapidly.

Of course, the problem which I have emphasized remains: in our system these men of action who possess capital and want to make productive investments and in this way employ the unemployed are still black sheep. That is why we need to redefine the concept of ownership and, as has been proposed, for example, by Ivan Maksimovic, member of the academy, make it possible for different forms of ownership to exist—state ownership, social ownership, group ownership, private ownership, cooperative ownership, and mixed ownership.

It remains, then, to take advantage of the opportunity which we have in the International Consulting Center—Dubrovnik. We need to learn from others and adapt to the times in which we live.

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